

Brazil: Row looms over Sarney's delays, Page 16

Austria	100.00	Switzerland	100.00
Belgium	100.00	Denmark	100.00
Canada	100.00	France	100.00
Cyprus	100.00	Germany	100.00
Denmark	100.00	Greece	100.00
East Germany	100.00	Italy	100.00
Finland	100.00	Japan	100.00
France	100.00	South Korea	100.00
Germany	100.00	Spain	100.00
Greece	100.00	Sweden	100.00
Hong Kong	100.00	Switzerland	100.00
India	100.00	Taiwan	100.00
Indonesia	100.00	Thailand	100.00
Israel	100.00	UK	100.00
Italy	100.00	USA	100.00
Japan	100.00		
South Korea	100.00		
Spain	100.00		
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Switzerland	100.00		
Taiwan	100.00		
Thailand	100.00		
UK	100.00		
USA	100.00		

No. 30,420

### World News Business Summary

## Afghanistan offensive against insurgents

Afghan Government troops have launched an offensive against about 8,000 Moslem insurgents in south-east Afghanistan near the Pakistan border, Soviet television said, Page 2

## SAS may delay new offer for UK carrier

SAS, Scandinavian airlines, may not raise its partial offer for British Caledonian, the UK carrier, until after Christmas. Expectations that SAS would put a new bid on the table today have receded with the return to Stockholm of Mr Helge Lindberg, SAS deputy president and chief negotiator, Page 26

## Maghreb unity plan

The foreign ministers of Algeria, Mauritania and Tunisia met in Algiers yesterday to discuss ways of making their friendship treaty the basis of unity among the five Maghreb states, Page 2

## Fiji air link

Air New Zealand is to resume regular flights to Fiji ending a seven-month interruption following the military coup and attempted hijacking of a Boeing 747 at Nadi airport in May, Page 2

## Christmas cheer

US forces in West Germany hit by the falling dollar can expect to enjoy extra Christmas cheer this year, thanks to DM4m (\$2.4m) donated by West German big business, Page 2

## India alert

India has ordered its diplomatic missions in neighbouring countries to try to trace a Soviet physicist who disappeared from a tour group in Delhi on Friday, Page 2

## Sniffer dog row

A fresh political row has broken out between Britain and Iran following a dispute at London's Heathrow airport over the use of sniffer dogs by customs officials, Page 2

## Berlin reunion

East Germany has allowed the emigration to West Berlin of a mother and child split from their family by the Berlin Wall, after a four-year battle, Page 2

## Election fraud alleged

Suspicion is emerging that South Korean voters may have experienced high-technology election fraud with computer manipulation of results in last week's presidential election, won by the ruling party, Page 3

## Filipino killed

A Filipino soldier was killed and a number of others injured yesterday, a day after President Corason Aquino invoked the seasonal spirit of peace to order a four-day ceasefire in the guerrilla war, Page 3

## Tanzania to intervene

Tanzania is to try to intervene in the border clashes between Uganda and Kenya which broke out last week, Ugandan officials said, Page 3

## Riyadh talks

Fears of further escalation in the Iran-Iraq war are expected to dominate the agenda of Gulf Arab foreign ministers who meet in Riyadh today to prepare for a regional summit, Page 3

## Liberal Party row

Mr David Steel, leader of Britain's Liberal Party, has rejected the call from his party's council to renegotiate with the Social Democratic Party the preamble to the draft constitution of the proposed merged party, Page 4

## Soviet countdown

A three-man Soviet cosmonaut team lifts off from a central Asian launch site today on a mission to a new first in space history - the start of permanent occupation of the Mir orbiting station, Page 4

## Mozambique recovery

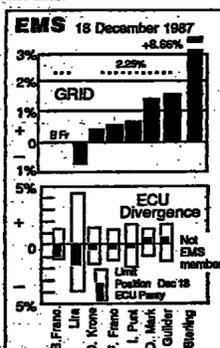
Mozambique, wracked by prolonged civil war but now emerging from economic collapse with aid of an IMF recovery plan, says it will achieve 6 per cent growth next year, Page 4

## Kasparov triumph

Garry Kasparov received the world chess champion's red sash and laurel wreath and a prize of SF1.5m (\$1.1m) at a formal closing ceremony in Seville's medieval Moorish palace on Saturday after winning the final game against Anatoly Karpov, Page 4

## EUROPEAN Monetary System

The Belgian franc was little changed on the week but there was renewed pressure after last weekend's general election, the results of which could lead to the complicated and lengthy process of forming a coalition government.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weekly currency in the system, shows the divergence from the central rate. The lower grid shows the divergence from the central rate against the European Currency Unit (ECU), based on a basket of European currencies.

## BOEING, US aircraft maker

BOEING, US aircraft maker, appears to be further delaying development of its revolutionary fuel-saving 777 prop-fan jetliner in the face of low aviation fuel prices and lack of interest from airlines in the 150-seat aircraft, Page 5

## KOMORI, Japanese printing

KOMORI, Japanese printing press manufacturer, has won a \$55m order to supply eight presses to Imprimerie Jean Didier, French printing company, Page 5

## ROSEHAUGE, one of Britain's

ROSEHAUGE, one of Britain's biggest office developers, has been considering whether it may have a role to play in building private prisons. The UK Government is to decide next year whether to allow private companies to finance, build or operate prisons, Page 5

## TANKEE market was left

TANKEE market was left confused last week by the uncertain outcome of the Opec meeting. Brokers were forecasting prices could drop to \$15 per barrel or even \$12 in the spring, Page 5

## WEST GERMAN Finance Minister

WEST GERMAN Finance Minister Gerhard Stoltenberg has said he expects domestic growth next year to be as much as 1 percentage point lower after the fall of the dollar and the crisis in the world's equity and foreign exchange markets, Page 2

## WASHINGTON and the

WASHINGTON and the European Community are heading for a serious rift over subsidies on the Airbus aircraft unless one side backs down, a senior US trade official has warned, Page 5

## Krupp steel plant closure stokes fires of protest

IN THE threatened steel community of Rheinhausen, part of the tired Ruhr town of Duisburg in what was once West Germany's thriving industrial heartland, Christmas spirit is in short supply. But on show in abundance is solidarity, stoked by bitterness and slow-burning anger, which once alight, may be hard to extinguish.

Mr Dieter Kelp, the Protestant pastor from the Duisburg parish of Friesenheide who led the service, said the event forged a link between the 2,000-year-old Church and the 160-year-old workers' movement. Mr Kelp is a young-looking greybeard of 50 with bright eyes and horn-rimmed spectacles. Equipped somewhat theatrically with a single crutch, he has an air of both Old and New Testaments.

## Congress confident of early agreement on plan to reduce deficit

US CONGRESSIONAL leaders, still split by disputes over the 1988 budget compromise, were last night planning to pass emergency legislation to buy more bargaining time and prevent the Federal Government from running out of money.

European officials said that their contacts with Washington indicated that Mr James Baker, the Treasury Secretary, favoured a concerted move to prop up the dollar. But other officials, including White House adviser Mr Brent Spink, were opposed to any commitment which might imply an obligation on interest rates.

## Hong Kong banking authorities

Hong Kong banking authorities are preparing to charge a levy on large deposits in the form of so-called negative interest rates. The move is intended to discourage speculators who are holding large amounts of Hong Kong dollars in the hope of a revaluation.

## peace plan, no military shipments

The Contra aid question has been among the most troublesome, but differences remain on the accounting treatment of federal assets sales. Senator Dole said it was important that Congress lived up to its pledges in the November budget compromise to make genuine savings in spending.

## needed to keep the government

A draft document, including a loose pledge to stabilize currency markets, was prepared after intense negotiations between the seven at the end of last week. European officials, however, were still emphasising yesterday that the publication was a probability rather than a certainty.

## European officials said

European officials said that their contacts with Washington indicated that Mr James Baker, the Treasury Secretary, favoured a concerted move to prop up the dollar. But other officials, including White House adviser Mr Brent Spink, were opposed to any commitment which might imply an obligation on interest rates.

## Congressional negotiators

Congressional negotiators and senior Reagan Administration officials worked over the weekend to resolve their remaining disputes. Mr Reagan repeated his threat to veto the \$600bn bill

## The budget plan meanwhile

The budget plan meanwhile would reduce the Federal deficit by about \$30bn in fiscal 1988, which began in October, to around \$150bn. That is roughly the same level seen in 1987 but without any action on taxes and spending, the deficit was forecast to rise in 1988 to \$180bn.

## Texaco to seek permission for \$5.5bn payout to creditors

BY JAMES BUCHAN IN NEW YORK

TEXACO, the US oil company crippled by a four-year legal dispute with Pennzoil, a smaller rival, will today seek permission from a suburban New York court to pay out about \$5.5bn to its creditors, to emerge from the largest bankruptcy case ever in US history.

## make substantial disposals

make substantial disposals to finance the payment to Pennzoil. Today's filing, before Judge Howard Schwartzberg, marks the closing chapter in a corporate battle which has grown more bitter and desperate with each month since January 1984 when Pennzoil sued Texaco for buying Getty Oil from under its own, allegedly binding, contract.

## Mr James Kinneer

Mr James Kinneer, the Texaco chairman who had been threatening to take the case to the US Supreme Court, said: "We have determined that the best course of action and the best business judgement available to us on behalf of our stockholders and employees is to remove the legal shackles that have constrained our company."

## Texaco took refuge in

Texaco took refuge in bankruptcy proceedings when Pennzoil was awarded \$10.3bn in damages by the Texas courts. As late as Friday, the two companies were still haggling over the tax liability and accrued interest on the \$3bn payout.

## Mr Carl Icahn, the New York

Mr Carl Icahn, the New York-based takeover specialist, controls 12.3 per cent of Texaco. On Saturday Mr Kinneer announced plans to restructure Texaco "with a view toward maximising shareholder value. He said that Texaco and Morgan Stanley, the Wall Street investment firm, would "undertake an aggressive, imaginative and exhaustive review of every asset and operation," in the company's "quest for competitive leadership."

## Texaco has more than \$4bn

Texaco has more than \$4bn in cash assets, but is expected to

## Argentina, Egypt in long-range missile project

By Tony Walker in Cairo and Andrew Gowers and David Suchan in London

EGYPT and Argentina are collaborating in the development of a long-range battlefield missile, with the possible involvement of Iraq, the deployment of which could significantly affect the strategic balance in the Middle East.

## According to well-informed

observers in Cairo, Egypt and Argentina have been collaborating for about five years on the development of a solid-fuel propelled rocket, designated Condor II.

## This appears to mark a significant

advance in Argentina's original Condor development programme, which has been known about for some time.

## Iran, which announced on

August 21 that it had acquired a missile with a range of 600km, is believed to be helping to finance the project, which in theory would enable Iraq to hit Tehran with missiles.

## British Government officials

in London confirmed that they were aware of the project, having been tipped off about it earlier this year by Israel.

## In Buenos Aires, the Ministry

of Foreign Affairs said that Argentina was developing what it described as a medium-range missile in collaboration with Egypt, though it said this was designed for satellite launching.

## The regime argues over their

concerns about the proliferation of ballistic missile technology. None of the countries concerned has responded to these demarches, according to Western officials.

## Cairo's drive to acquire a

long-range battlefield missile is no doubt partly prompted by Israel's deployment of its Jericho II missile, which has a range of at least 750km, and possibly much more.



Two children add another tyre to a burning barrier across the southern entrance to Gaza city during a further day of rioting

## Israeli army braced for further violence

BY OUR JERUSALEM CORRESPONDENT

ISRAELI POLICE and security forces were on alert yesterday anticipating that disturbances in the occupied territories would spread from the West Bank and Gaza Strip into the Israeli Arab villages of Galilee and the Valley of Sharon triangle north of Tel Aviv.

## Arab East Jerusalem experienced

its worst riots in two decades on Saturday, but yesterday there were only scattered incidents in the occupied territories, an Arab youth was wounded near Jerin after throwing a petrol bomb at an Israeli patrol. The army said that a Palestinian was wounded in the Gaza City district of Shajalja and officials at Shifa Hospital in Gaza said a 21-year-old Palestinian had been shot and wounded.

## Palestinian militants burned a

bus taking Arab labourers from Gaza to the West Bank town of Nablus. The army said an Israeli patrol was blocked by dozens of Arabs. They pelted the

**1988**  
THE YEAR TO CAST A NEW EYE ON GLOBAL SECURITIES WITH US.

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Overseas	23	Embassies	17,19
Companies	18	John Lloyd	19
Britain	4-8	Intl. Capital Markets	19
Companies	26	Letters	18
		Lex	16
		Lombard	15
		Management	13
Appointments	7	Men and Matters	14
Arts - Reviews	18	Money Markets	30
World Guide	12	Stock markets - Bourses	27,30
Justicial	11	London	23-25,27
Construction	10	UK gilts	18
Crossword	29	Unit Trusts	20-22
Currencies	29	US bonds	18
Editorial comment	14	Weather	16

**THE MONDAY PAGE INTERVIEW**

Ying Enocheng, China's top film actor and Minister for Culture, talks to the Financial Times, Page 11

**Afghanistan: Facing a crisis of politics in 1988** 2

**Anthony Harris: Which way are headlines going?** 11

**Management: The tricky task of tickling taste buds** 12

**Editorial comment: UK Liberals and SDP: A door opens in Prague** 14

**Britain's National Union of Mineworkers: Weighed down with disillusion** 14

**Ethiopia: Paying the price of famine fatigue** 15

**Lex: Tokyo believes in itself** 16

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OVERSEAS NEWS

Stoltenberg reduces forecast for growth

BY HAIG SIMONIAN IN FRANKFURT

MR Gerhard Stoltenberg, the West German Finance Minister, has said he expects domestic growth next year to be as much as one percentage point lower after the fall of the dollar and the crisis in the world's equity and foreign exchange markets.

He now anticipated between 1.5 and 2 per cent growth next year against 2.25 to 2.5 per cent before the stock market crash and the fall of the dollar. The German economy has grown by about 1.4 per cent this year.

However, even Mr Stoltenberg's revised growth figures are more optimistic than many recent forecasts. The independent Council of Economic Advisors said the economy would grow by 1.5 per cent in 1988, much the same as this year.

mark in particular has led to renewed anxiety among exporters and to calls on the government for action. Last week, Mr Helmut Geller, president of the German savings banks association, said the fall in the dollar had brought the economy close to a "negative spiral" which could seriously damage investment.

However, Mr Stoltenberg said the deutchmark's appreciation would mean prices were likely to rise by only 1 per cent next year against the 1.5 to 2 per cent previously expected. Mr Stoltenberg again hinted at the possibility that the government might over-see the DM200bn budget deficit target for 1988.



Gerhard Stoltenberg

Sniffer dog dispute widens rift between London and Tehran

BY ANDREW GOWERS, MIDDLE EAST EDITOR

A FRESH political row has broken out between Britain and Iran following a dispute at London's Heathrow airport over customs inspection procedures.

Iran Air, the country's national airline, has suspended all flights to Britain as a result of the altercation, which began about a week ago when customs officers used sniffer dogs to search an Iranian aircraft for drugs.

Iranian officials objected to the search on the grounds that the dogs walked over areas where passengers would subsequently be as preyed. Moslems regard dogs as unclean.

Since then, the issue has drawn angry remarks in Tehran from Mr Ali Akbar Hashemi Rafsanjani, the influential speaker of the Iranian Parliament, and a complaint to the Foreign Office from the Iranian charge d'affaires in London, Mr Akhund Zadeh Basti.

Iranian observers in London say the row, despite its modest beginnings, has the potential to aggravate further the already strained relationship between Britain and Iran.

Diplomatic relations between the two have been downgraded to the lowest possible level, that of a complete rupture following another row last summer.

Iranian capital was quietly withdrawn several weeks ago on what the Foreign Office describes as safety grounds. Britain and Iran are now in dispute on a range of issues from the Gulf war to the closure of Iran's arms-buying office in London.

Iran Air normally makes three lucrative flights to London, per week, but an official at Heathrow confirmed yesterday that no flights had arrived from Tehran since last Tuesday.

It is not entirely clear why the row should have broken out now, since customs officials insist that use of sniffer dogs at British airports is "part of the normal routine".

HM Customs and Excise has refused to give assurances to the Iranians that it will not use dogs on a similar occasion in the future, which may mean that the Iran Air flights remain in indefinite suspension.

West German cheer for US forces

BY DAVID MARSH IN BONN

US FORCES in West Germany hit by the falling dollar can expect to enjoy extra Christmas cheer this year, thanks to DM4m funds donated by West German big business.

The money was collected in an unprecedented four-month operation which ended last month. It will be spent over the next five to seven years to improve links between the West German population and 500,000 American military personnel and their families stationed here.

The cash will be spent by the West German arm of the United Service Organisation (USO), a privately-funded venture formed in 1941 to support GIs abroad, which ran into a financial crisis at the beginning of the year.

Among the activities organised by the West German USO this Christmas are Santa Claus visits to orphanages, cookies for military police, and a talent-spotting hop by the American TV star Alex Trebek. It also tries to arrange for single US soldiers to celebrate Christmas in a West German family home.

The West German arm of USO, heavily squeezed by the falling dollar and a cut in American donations, could normally be expected to have an annual budget of DM 300,000, says Mr Janet Bandow-Koster, director of operations for West Germany. "That will now significantly increase."

Mr Richard Burt, US Ambassador to Bonn, co-sponsored the fund-raising drive with Mrs Hannelore Kohl, wife of the West German Chancellor. Mr Burt says the West German companies and banks which put up the cash were "in part, returning the favour of the Marshall Plan".

This was put into effect 40 years ago to boost West Germany's war-ravaged economy. Typical individual donations were \$25,000 to \$50,000. Contributors included Deutsche Bank, Lufthansa, Daimler Benz, Volkswagen and Bertelsmann, as well as two chemicals, oil, tobacco and publishing groups.

The drive was organised by the optical manufacturer Mr Rolf Rodenstock, one of West Germany's top businessmen.

"I was warned by many people that it wouldn't succeed, that the Germans were not used to an American-style fund-raising effort," said Mr Burt. "But we were overwhelmed by the response." The funding effort was mounted against the background of financial and political uncertainty about the American military presence in Europe. "This was a recognition by these people that there is growing concern about burden-sharing," the ambassador said. "They sent a signal to Washington that the American troops' presence is appreciated."

Signs of robust growth appear daily, Carla Rapoport writes

Japan learns to live with high yen

THE DOLLAR has been hitting new post-war lows against the yen on a daily basis recently, but many in Tokyo are no longer taking any notice.

Despite the growing concern about the weakness of the dollar in Europe and the US, most Japanese business leaders have remained cool about currency fluctuations. Indeed, Japan's economy is expanding very nicely under its own steam.

"We are not going to scream whenever the yen appreciates against the dollar," said Mr Yusuke Kashiwagi, chairman of the Bank of Tokyo. "Europeans look at the exchange rate as the barometer of an upcoming recession." But Japan is looking at a growth rate of 3.7 per cent or even 4 per cent for 1988, according to Mr Kashiwagi.

Waving away his own bank's more conservative forecast, the highly respected banker said Japan had learned how to live with the high yen. This is because the government is helping to boost domestic demand because industry has cut costs and moved a lot of production offshore, and because Japan's imported goods are now much cheaper. While many economists in



Yusuke Kashiwagi, confident Tokyo remain more fearful than Mr Kashiwagi, it is true that signs of robust economic and financial health seem to appear daily in Japan these days.

October. The issue was fully subscribed, according to government officials in Washington.

Also on Friday, the Economic Planning Agency (EPA) announced that the country's economy had been expanding well in November, buoyed by a sharp increase in housing starts, retail sales and capital spending.

It was the first time since 1985 that the EPA had described the nation's economic performance as an "expansion phase".

Further, Nomura Research Institute, the research arm of Japan's largest stockbrokers, announced at the weekend that Japanese companies would still report a rise in pre-tax profits in the year to next March if the dollar stayed at the ¥127 level. Matsushita Electric, Japan's largest electronics company, for example, could even make profits if the dollar reached ¥100.

The appreciation of the yen against the dollar, however, is slowing Japan's purchases of US government bonds.

Mr Yasuyuki Wakahara, chairman of the Life Insurance Association of Japan, said the Japanese life insurance industry will have to restrict investment in US bonds in view of the most recent bout of appreciation of the yen against the dollar.

Most Japanese business leaders have stayed cool about currency fluctuations. The economy is expanding nicely.

The Japanese are still not purchasers of US bonds, although the level of purchases has dropped sharply this year.

The Bank of Tokyo predicted last week that total outflow of Japanese capital during fiscal 1987 will amount to \$11.7bn, a decline of around \$33bn from 1986.

A further decline to \$9.8bn is expected in fiscal 1988.

Jayawardene in threat to kill rebel Sinhalese

PRESIDENT Junius Jayawardene vowed yesterday to kill Sinhalese extremists who have been assassinating his supporters in a campaign against the government's attempt to make peace with Tamil rebels, AP reports from Colombo.

He told members of his United National Party in the Sinhalese heartland that law enforcement officers would be given immunity for any "wrongdoings" against Sinhalese terrorists.

Soviet physicist disappears in India

India has ordered its diplomatic missions in neighbouring countries to try to trace a Soviet physicist who disappeared from a tour group in Delhi on Friday, Reuters reports from Delhi.

Security forces were on full alert throughout India in the search for Mr Babi Alexander, 25, who disappeared on a visit to the Karol Bagh market area.

Singapore frees five 'plotters'

SINGAPORE yesterday announced the release of five people held under the Internal Security Act since June 23 on suspicion of plotting to establish communist rule, AP reports.

Twenty-two people were detained in connection with the alleged plot. Eleven remain in custody.

Disgraced officials lose assembly seats

THE deposed head of a lorry and tractor factory at Brasov, Romania, scene of worker unrest last month, and a former Romanian Communist Party leader in Craiova have lost their seats in the Grand National Assembly, AP reports from Vienna.

After losing parliamentary immunity, the two officials can be prosecuted.

Maghreb countries discuss unity plan

THE foreign ministers of Algeria, Mauritania and Tunisia met in Algiers yesterday to discuss ways of making their friendship treaty the basis of unity among the five Maghreb states, Reuters reports from Algiers.

The three are expected to discuss widening the pact to include Libya and Morocco.

E Berlin allows mother and son to emigrate

BY DAVID MARSH IN BONN

THE East German authorities have allowed the emigration to West Berlin of a mother and child split from their family by the Berlin Wall. Their case was featured in the Financial Times two months ago.

Mrs Gabriele William, 27, who is divorced, and her son Christian, who will be seven tomorrow, last Monday passed through the Friedrichstrasse railway station crossing point to join the rest of their family for Christmas and begin a new life in the West.

"This is the most beautiful Christmas present," said Gabriele's mother, Mrs Anneliese Stahlbaum, at the end of a nearly four-year battle with the East Berlin government to bring her elder daughter across.

The family reunion came amid a wave of pre-Christmas arrivals in West Germany of East German emigrants. In a move which the Bonn government says is partly a goodwill gesture, 1,839 emigrants arrived in the Federal Republic and West Berlin in the first half of December. This is compared with the 9,116 allowed out in the first 11 months of the year, although the total for the year will be down substantially from nearly 20,000 in 1986.

On receiving detailed reports of the summit both from Washington and Moscow, Pakistani officials have adopted a cautious optimism: "The discussions at the summit indicate that the Soviet position is evolving and that they may want to move towards settling the problem," a top Pakistani diplomat said.

There are straws in the wind. We must grab them and get them converted into concrete actions," he said of the pointers from Washington and Moscow.

The situation, as it appears to have emerged at the summit, is that the Soviets want all US military aid to Islamic anti-communist Afghan guerrillas - now \$600m a year - to stop as soon as a peace agreement between Islamabad and Kabul is signed. Mr Reagan is thought to have refused to agree.

The Geneva peace negotiators, Islamabad and Kabul, envisage that two months after conclusion of the proposed agreement, Soviet troops would start withdrawing as a ceasefire is put into place. The US view is that the Mujahideen (Islamic Holy warriors) should not be left starved of supplies because that would put them at the mercy of the Soviet army. Instead, the US argues that the supplies should stop the day the Soviet troops start withdrawing.

Everything hinges on finalising a timetable for withdrawal of the Soviet army. The Geneva peace talks, which began in 1982, could pick up this issue when they resume in February, Western and Pakistani diplomats believe. When the two sides met in Geneva in September this year, Moscow, negotiating through Kabul, agreed to quit the country in 16 months, while

Still no clear sign of end to Afghans' eight bloody years

BY MOHAMMED AFTAB IN ISLAMABAD

A SENIOR Pakistani diplomat involved in talks on the Afghan crisis says: "Nineteen-eighty-eight will be the year of political upheaval in Afghanistan. An old regime will have spent 20 years in the Afghan capital Kabul, says: 'I cannot say what will happen, even tomorrow.'"

The summit between Mr Mikhail Gorbachev, the Soviet leader, and President Ronald Reagan in Washington notwithstanding, volatility is still the pattern there as 120,000 Soviet troops enter the ninth year of their stay in the country they marched into on Christmas Eve 1979.

Diplomatic dispatches from Washington received in Islamabad confirm only that the super-power summit "led to exchange of assurances that the two leaders wish to settle the Afghan crisis," the Pakistani foreign ministry said.

While Mr Gorbachev said he did not necessarily wish to leave a pro-Moscow government behind in Kabul when the Soviet troops withdrew, Mr Reagan assured him the future government in Kabul need not be pro-American, which Moscow fears, a foreign ministry spokesman said.

All indications are that the summit on which 15m Afghans pinned high hopes, made limited progress on the issue. Mr Gorbachev, who one described Afghanistan as "our bleeding wound" with at least 15,000 Soviet soldiers having died there, did not unveil the hoped-for timetable for withdrawal of the Red Army's troops.

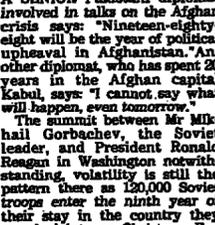
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AFGHAN government troops have launched an offensive against some 3,000 Moslem insurgents in south-east Afghanistan near the Pakistan border, Soviet television said yesterday, Reuters reports from Moscow.

AFGHAN government troops have launched an offensive against some 3,000 Moslem insurgents in south-east Afghanistan near the Pakistan border, Soviet television said yesterday, Reuters reports from Moscow.

It showed the film of the troops shelling what a Soviet reporter said were rebel strongholds and arms supply routes in a snow-capped mountain range in the Khost district of Pakhtia province.

Pakistan agreed to eight months. The Soviets and Afghan President Najibullah have recently hinted that they would settle for 12 months for evacuation, and are expected formally to table such a proposal at Geneva.

Mr Abdul Sattar, permanent secretary at the Pakistan foreign ministry, said: "Promising pronouncements by Moscow and Kabul too often create a false aura of optimism, but action is needed to sustain their credibility. We have noted General Secretary Gorbachev's declaration of desire for a prompt solution of the Afghanistan problem but concrete action will be more welcome."

Meanwhile, Soviet soldiers continue to die in the war. Some Western military estimates put the Soviet dead at 25,000. Western sources also say 1m Afghans have been killed. The Peshawar-based Swedish Relief Committee for Afghanistan puts the number of the Afghan dead at 1.2m in the eight years of war, including Afghan soldiers and government personnel.

Western intelligence sources say fighting in Afghanistan during 1987 was more intense and widespread possibly because the guerrillas were better supplied, better equipped, and better coordinated, according to Western and Pakistani military analysts.

Gulf summit to discuss security

FEARS of further escalation in the Iran-Iraq war are expected to dominate the agenda of Gulf Arab foreign ministers who meet in Riyadh today to prepare for a regional summit, Reuters reports from Kuwait.

Since their summit in Abu Dhabi in November 1986, the six Gulf Co-operation Council (GCC) states have been increasingly sucked into the seven-year conflict on the side of Iraq.

Officials said the summit, due to open on December 23, would discuss defence and security measures to protect the conservative pro-Western states from a spillover of the war.

The heads of state would discuss support for UN Security Council Resolution 598, which demands a ceasefire, and a possible new overture to Tehran, the officials said.

The talks take place amid predictions of a major new offensive towards the southern Iraqi city of Basra by Iran, reported to have massed 270,000 troops on the southern war front.

Iraq said yesterday it had repulsed an Iranian thrust about 200km north-east of Basra after a 12-hour battle. Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates formed the GCC in 1981, largely out of security fears arising from the war and the 1979 Islamic revolution in Iran.

Both remain threats to the six states, diplomats and officials in the region say. In the past year, Iran has mined Gulf waters and stepped up attacks on Kuwaiti oil tankers, leading the emirate to put half its tanker fleet under the American flag to qualify for US navy protection.

A build-up by foreign navies in the Gulf has thrust the GCC states into the middle of super-power rivalry and clashes between the United States and Iran.

The GCC Assistant Secretary General for Political Affairs, Saif al-Maskari, told the Qatari News Agency yesterday the summit would discuss increased military co-operation and a security strategy approved by GCC interior ministers.

He said the talks would be extension of last month's Arab League summit in Amman which criticised Iran for attacking Kuwait with missiles and refusing to accept Resolution 598.

Syria and Oman agree to diplomatic link

SYRIA and Oman have agreed to establish diplomatic relations and exchange ambassadors, the Syrian news agency SANA said yesterday.

It said the decision followed talks between visiting Omani Foreign Minister Youssef Bin Alwaili and Syrian President Hafez al-Assad and Foreign Minister Farouq al-Shara on Saturday.

The meetings centred on bilateral relations between Syria and the Sultanate of Oman and means of improving these relations, so in this context it was agreed to exchange ambassadors and establish diplomatic relations, SANA said.

The two countries have not had diplomatic relations since they became independent. Britain recognised the full independence of Oman in 1951 while Syria achieved full independence in 1946.

Table with 5 columns: Country, Oct '87, Sept '87, Aug '87, Oct '86, % change over previous year. Includes Germany, France, Italy, Netherlands, Belgium, United Kingdom, USA, Japan.

The departure of Bresser Pereira is bad news for Brazil and its creditors, writes Ivo Dawney

Brazil stages a re-run of a familiar crisis

THE resignation of Brazil's finance minister, Mr Luiz Carlos Bresser Pereira, is yet another triumph for short-term political expediency over the urgent need to tackle the country's economic crisis.

For most Brazilians, the departure of Mr Bresser will only confirm the widely-held view that hyper-inflation and a stagnating industrial base are in prospect for the foreseeable future.

Foreign bank creditors face an equally bleak outlook with the restructuring of Mr Feraoz Bracher, the former Central Bank president who until last week led the team negotiating the restructuring of \$85bn in commercial loans.

While hardly loved abroad, Mr Bracher has at least been a familiar face in the corridors of Citicorp's Park Avenue offices for the past two years.

Yesterday, Mr William Rhodes, leader of the 14-member bank negotiating committee, was quoted as promising that the changes would not alter his timetable for completing a new three-year deal, intended to take place next month.

But there must be doubts, and these centre on the issue behind Mr Bresser's resignation - the inability of any Brazilian finance minister to win political backing for tough economic reforms.

Responsibility for this is now increasingly being laid at the door of President Jose Sarney, not least by Mr Bresser himself.

In an informal chat with journalists on Saturday, the ex-minister put it bluntly: "This is a weak government, incapable of taking the necessary measures to adjust the economy."

That weakness has been most dramatically demonstrated in recent weeks in the successful efforts of diverse interest groups

to curb the impact of Mr Bresser's new spending cuts package. Mr Bresser's aim when he introduced his first plan last June was to halt inflation - then over 20 per cent a month - by introducing a temporary price and wages freeze, followed by a rapid easing of controls and sharp cuts in public spending.

But the wage policy was almost immediately undermined, when, under pressure from the military, Mr Sarney authorised big increases in pay for the armed forces, federal civil servants and government bank employees.

Other concessions, often made by the president in defiance of Mr Bresser, have meant a public spending deficit of almost double the original target of 3.5 per cent of gross domestic product for 1987. Inflation, meanwhile, is expected to exceed 300 per cent for the year - a record.

Mr Bresser's latest prescription was to raise taxes, including introducing a capital gains tax and once again to attempt to cut

spending through abolishing several state agencies. But Mr Sarney, under pressure from business and taxpayers' lobbies from the right and intense opposition to spending cuts from the left, has drastically diluted the package.

Behind the president's decision, may lie a hope that growing right-wing forces in the Congress, now finalising a new constitution, might reverse an earlier vote to hold elections next November, thereby reducing his mandate to four years.

But pondering to those fiercely opposed to tax rises is likely to do little to strengthen an already critically weak administration. Accelerating inflation and near zero growth of industrial output is hardly likely to increase Mr Sarney's popularity.

Half a dozen names have been mooted as possible choices for the new minister. But those that seem most plausible look unlikely to offer any different solutions to those of Mr Bresser.



Mr Bresser: "My greatest adversary was weak government"

Speculation is high that the interim minister, Mr Malloson Fereira da Nobrega, the career civil servant who heads the ministry, will stay on permanently.

But few yesterday had any hopes for his success. As the Brazilian expression goes - "We've seen this film before."

Fiji flights to resume

AIR New Zealand is to resume regular flights to Fiji, ending a seven-month interruption following the military coup, Dad Hayward reports.

The Fiji government says Air NZ's continued absence is affecting Fiji's tourism business, already down because of the coup.

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OVERSEAS NEWS

Observers allege computer fraud in S Korea poll

BY MAGGIE FORD IN SEOUL

SUSPICION is emerging that South Korean voters may have experienced high-technology election fraud with computer manipulation of results last week in the presidential election, won by the ruling party.

Concern that the result may have been interfered with electronically arose when opposition party members telephoning progress reports to their headquarters were told that the result from their area had already appeared on television.

Early editions of a government-controlled newspaper also reported results which had not apparently been completed, readers said.

The Government has strongly denied any interference in the voting, and yesterday said it would crack down harshly on anyone spreading rumours of fraud. Politicians and voters were nevertheless trying to puzzle out what computer fraud may have taken place and how it might have been done.

Last week's poll was the first for 16 years, so comparisons are difficult. Attention focussed on the role of government-controlled radio and television. An attempt by the independent Christian Broadcasting Service to report the results on election night was stopped by police.

European and Commonwealth diplomats, businessmen and journalists who watched the results on television were puzzled by several features.

Mr Roh's 2m winning margin of votes over Mr Kim Young Sam remained constant throughout the night, without showing any swings, even in the early stages. Mr Roh won a close election with only 50 per cent of the vote.

The size of Mr Roh's early lead. Most observers at first assumed that this reflected the military vote, widely thought to have been supervised. The Central Election Management Committee had earlier announced however that soldiers' votes would be sent to their home areas and counted in with other ballots.

A regional "patterning" of individual vote reports. After an hour of broadcasting, even viewers unfamiliar with the Korean language were able to pick which area of the country any particular set of voting figures came from, because the pattern was almost always the same. Some provinces of South Korea contain a wide mixture of voters

both in age class and origin, so that different parts of the province would be expected to show more varied results.

The late reporting of results from the capital, Seoul, about 10 hours after rural areas early in the morning the day after the election. Rural areas normally produce their results last. No convincing explanation has been given for the delay.

The opposition candidates, who declared the election to be unfair and manipulated the following day, found some of the results difficult to believe. Mr Kim Dae Jung, whose popularity in his home capital of Kwangju is enormous, said that even he could not win 94 per cent of the vote there, as the result suggested. His aides said that in a free election 10 per cent of voters would support Mr Roh and another 10 per cent Mr Kim Young Sam.

Independent observers of the election, including two teams from the US, said they found a number of irregularities, including missing or apparently switched ballot boxes, interference with opposition party and independent Korean observers monitoring the count and signs of voting tricks.

Individual counting rooms are not required to announce their results officially and there is no provision for a recount in the case of disputes. Results posted at the Central Election Management Committee were reported to be generally running about an hour behind television counts.

An independent Washington political analyst experienced in the use of computers to target voters during elections, said it would be extremely easy to draw up a computer model of an acceptable election result. This could be adjusted for people's perceptions of voter choice, regional, class and age background and events during the campaign.

Such a model could design the size of a majority, pinpoint areas of the country where people would believe voters' intentions could have changed and guide government officials if they were charged with getting the vote out.

While such computer models are used in democratic countries for the guidance of political parties they could be open to abuse by an unscrupulous government determined to keep power, the analyst said.

Little sign of peace or goodwill in Philippines

By Richard Cooney in Manila

A PHILIPPINE soldier was killed and a number of others injured yesterday, just a day after President Corason Aquino invoked the seasonal spirit of peace to order a four-day ceasefire in the 19-year guerrilla war with Communist-led rebels.

Mr Sator Ocampo, a leader of the rebel National Democratic Front, had hinted earlier this month that the New People's Army would declare a unilateral ceasefire over the holiday.

On Saturday Cardinal Jaime Sin, the influential spiritual head of the Catholic church in Manila, called for a Christmas ceasefire. But General Fidel Ramos, the armed forces chief, last week ruled out a ceasefire, although he said there could be a "short moratorium" on the fighting.

The ceasefire will cover Christmas Eve, Christmas Day, New Year's Eve and New Year's Day but not December 26, the 19th anniversary of the founding of the NPA and the birthday of Mao Tse-tung, from whom the Philippine rebels gain their inspiration.

"We are in the season of the year that calls for peace and love," Mrs Aquino said on Saturday. "It is good to pause and reflect on these ideals." The Philippine armed forces are to stay on alert and be ready for defensive action and hot pursuit, she said. Communist Party officials said last week they would adopt a defensive posture over the holiday in order to respect people's desire for peace.

However, while the spirit of peace was flowing in Manila, about 70 NPA rebels ambushed soldiers on Negros island, killing one.

Further south, off the coast of Mindanao island, Philippine army helicopter gunships ended a four-day attack on what they said were pirates, in which they destroyed a launch of a village. A spokesman for the Muslim independence fighters, the Moro National Liberation Front, however, said the 11 victims were not pirates but members of the MNLF and that the army had violated a ceasefire agreed 16 months ago.

David Buchan and Tony Walker on concern at the spread of missile technology Cairo rocket plan fuels proliferation fears

NEWS OF collaboration between Egypt and Argentina in the development of a long-range rocket has fuelled growing Western concern at the spread of missile technology in the Third World and its implications for nuclear weapon proliferation.

Cairo and Buenos Aires were in fact both key targets, among several other governments, of a co-ordinated diplomatic approach on the missile technology issue last April by the West's seven leading industrial powers.

On April 16 the US, Britain, France, West Germany, Italy, Canada and Japan announced they had set up a missile technology control regime (MTCR), with guidelines on the export of any missile system capable of delivering nuclear weapons.

This was defined as any rocket that could carry more than 500kg (1,100lb) and travel further than 300km (120 miles). The seven Western countries wanted to persuade all other

countries capable of making such missiles to join them in restricting the technology. They approached a variety of countries, from smaller Nato allies and European neutrals, to China and other Third World countries with known missile capability such as India, Argentina, Brazil, Egypt, and Israel.

One Western official said this week: "So far we've had some sympathetic noises, but no one has followed."

Countries were asked to exercise care in exporting their own missile technology and told that they could only import such technology from the seven Western countries on certain assurances about the use to which it would be put.

The seven Western powers have long had agreed controls on military exports to the Soviet bloc through the CoCom organisation, but nuclear proliferation is more a North-South than an East-West issue.

Concern about the possible uses for ballistic missiles is well-founded. In a paper entitled "Ballistic Missile Proliferation Potential in the Third World" the US Library of Congress commented recently that "ballistic missiles give a country the ability to penetrate another's defence system and attack deep targets. Some countries are on the verge of achieving high accuracy and large warheads with great destructive force, which would afford an ability to eliminate pre-emptively key military forces of an opponent."

"This new-found capability," the report said, "can alter a regional balance of power. In the hands of a peaceful state, ballistic missiles could help deter aggression. In the hands of an aggressor, they could facilitate international blackmail or conquest."

Beyond the power of the missiles themselves, the Western fear is that the spread of missiles

capable of carrying nuclear warheads could increase the risk of proliferation of nuclear weapons. Mr Don Kerr of the International Institute for Strategic Studies in London explained: "Any developing country going to the expense and trouble of planning a long-range missile could not afford to rule out absolutely the possibility of putting a nuclear charge on it."

None of the Western powers is suggesting that Egypt or Argentina might be planning nuclear warheads on whatever longer-range missiles they may be working on individually or jointly. There is plenty of concern about the destabilising effect of the spread of conventionally-armed missiles but only the nuclear aspect gives the West any plausible legal ground - under the Non-Proliferation Treaty - for expressing concern.

The rule of thumb on which the Western allies are working is that any country with a space

programme can certainly produce a missile powerful enough to carry 500kg for 300km. That payload is far heavier than many sophisticated Western or Soviet nuclear warheads, but the assumption is that a missile might be carrying a Third World's country first attempt at a nuclear warhead.

The problem for Third World makers of missiles is not, according to Mr Kerr, the rocket motor or the warhead (provided of course it is not nuclear). It is rather the guidance which needs low drift gyroscopes (to orient the missile) and accurate accelerometers (to measure velocity).

Mr Bernard Blake, editor of the Jane's Weapons Systems publication, says an accurate missile of a range of several hundred kilometres would be a big step for Egypt, which at present makes just a portable anti-air missile, and even for Argentina, whose Condor I is "a battlefield missile of limited range".

Relations worsen as Kenya arrests Ugandan nationals

BY OUR UGANDAN CORRESPONDENT IN ENTebbe

RELATIONS between Uganda and Kenya worsened further at the weekend with the arrest of Ugandan nationals by the Kenyan authorities.

The arrests are the latest in a series of actions against Uganda, apparently prompted by a change in trade traffic procedures and what Ugandan President Yoweri Museveni describes as a "personality conflict" with Kenya's President Daniel Arap Moi.

Kenya has closed its borders to Uganda and halted imports destined for Uganda at Malaba customs post. Nairobi airport is also closed to Ugandan passport holders.

According to Uganda's director of intelligence, Mr Jim Muhwezi, who visited Malaba on Saturday, among those turned back by Kenya's immigration officers that day were United Nations officials, a German citizen and a British tourist. Only Kenyans were allowed into their country.

Mr Muhwezi said a number of Ugandans working in the Kenyan port of Mombasa had been given 48 hours to leave the country and that Mr Atelra Ejala, a one-time opponent of Mr Museveni's who visited Uganda recently without running into trouble with Ugandan security, was deported on Saturday from Nairobi by Kenyan officials. They escorted him onto a British



Yoweri Museveni: "personality conflict"

Airways flight to London. Uganda Airways staff who flew into Nairobi to collect their High Commissioner, Mr Charles Katungi, and his deputy, Mr Samson Bigombe, who were expelled from Kenya, said armed troops surrounded the Ugandan aircraft when it landed.

A British journalist on the same flight back to Entebbe said the Ugandan diplomats were harassed by Kenyan airport officials. Their houses in Nairobi were apparently searched by Kenyan police.

An under-secretary in the Ugandan High Commission was taken to a police station for questioning, but later released. Three Ugandans were reported to have been arrested trying to leave Nairobi airport on Friday.

Last March a Ugandan teacher, Mr Geoffrey Byaruhanga, died in Kenyan police custody. The post mortem revealed that he had suffered severe beatings.

His death sparked a row between the Kenyan and Ugandan governments - followed by Kenyan border curbs from April to May that delayed Uganda's vital coffee exports.

Kenya and Uganda have accused each other of starting the hostilities with cross-border raids.

Most Ugandans believe that the root of the conflict lies in the fact that before Mr Museveni came to power almost two years ago, the Kenyan leadership had good business contacts with Uganda's politicians.

In particular, Kenya's road transport company benefited from the Ugandan coffee trade and Kenya's official coffee exports were boosted by smuggled Ugandan coffee. However early this year, Mr Museveni banned coffee exports by road, switching them to rail.

South African township clashes claim two lives

BY JIM JONES IN JOHANNESBURG

FIGHTING between supporters of the conservative Zulu organisation Inkatha and the radical United Democratic Front continued at the weekend with at least two people stabbed to death and others seriously wounded in Pietermaritzburg's black townships.

Leaders of both organisations earlier reaffirmed their commitment to finding a peaceful solution to the conflict.

Last week the UDF placed an advertisement in newspapers in the province of Natal calling for talks between the two sides to resume and for Christmas to be a period of peace. The advertisement was placed in response to Inkatha demands that the UDF repudiate a more militant publication circulated by a breakaway group calling itself the Marxist Workers Tendency.

Mr Vitus Mvelase, Inkatha's urban representative, welcomed the UDF's advertisement at a party rally saying that talks offered the only prospect of peace. He added that the fighting dishonoured the struggle for liberation from apartheid.

The conflict is mainly between the more traditional followers of Chief Mangosuthu Buthe's Zulu Inkatha organisation and radical UDF supporters who subscribe to the principles of the banned African National Congress.

South Africa could face a deluge of disinvestment if legislation in the US terminating tax

credits for American companies - passed by the Senate and the House of Representatives late Thursday - is not overturned by the White House.

In Johannesburg at the weekend Mr Adrian Botha, executive director of the American Chamber of Commerce, said pressure on the 168 American companies still operating in South Africa could become intolerable if the bill is signed by the President.

According to estimates in South Africa, passage of the bill could lead to American companies paying an additional R40m (£12.5m) in taxes. The proposed legislation, contained in House and Senate budget bills, would disallow US tax credits for tax paid by the South African subsidiaries of American companies and would in effect mean double taxation.

It is believed that the South African authorities would follow precedent and consider appropriate relief for companies affected.

In August this year the South African parliament agreed to a proposal by the Inland Revenue to afford "unilateral tax relief" to companies and individuals affected by the US abrogation of the double tax agreement between the two countries on July 1.

The effect of that abrogation was that American firms would have been obliged to pay a 10 per cent non-resident tax on interest remitted out of South Africa.

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UK NEWS

# Health funding review stresses private finance

BY ALAN PIKE AND TOM LYNCH

THE GOVERNMENT is conducting a far-reaching review of the funding of the National Health Service, with particular emphasis on increasing private investment and encouraging competition between hospitals, Mr Tony Newton, the Health Minister, indicated yesterday.

"We are looking very hard at a whole variety of ways we can add other forms of income on top of the extra resources we make available from the taxpayer," he said.

His department was also examining "the way we can use all the resources, from whichever quarter, better than we do sometimes at the moment and how we can promote greater co-operation between the public and the private sectors, to the benefit of NHS patients."

Mr Newton said it was "practical, sensible and desirable" to look to the private sector to create facilities which could be partly used by the NHS. More private money was spent on health in other countries and "it must be sensible to see if we can increase the total amount going into health and make good use of those resources to help NHS patients."

The idea of increasing competition between hospitals -

favoured by 75 per cent of Tory members of parliament in a London Weekend Television poll published yesterday - was "something that has got quite a lot going for it."

He did not comment on whether private medical insurance should attract tax relief - an idea backed by 65 per cent of the 135 Tory MPs polled by LWT, but which was rejected out of hand by Mrs Margaret Thatcher, the Prime Minister, in the House of Commons last week.

Mr Newton expressed sympathy with the idea that hospital patients should pay "hotel" charges for items such as food and laundry, but was dubious about their practicality, and he rejected charges for visits to family doctors.

Comments from Conservative MPs in parliament over the past few weeks suggest that there may be resistance to the extension of charges, which is the likeliest short-term solution. More radical reform, despite widespread support, is unlikely before the next general election. Mr Newton and Mr John Moore, the Social Services Secretary, are to meet the presidents of the three medical Royal Colleges who wrote to the Govern-

ment last week complaining of a funding crisis in the NHS early in the new year.

The clamour from the medical profession and politicians, which culminated in last week's injection of an extra £100m into the NHS for the current financial year, has opened up a wider debate on whether the present basis of financing the NHS can ever be adequate.

The debate will be heavily influenced by studies of health-care finance now being carried out by the Institute of Health Services Management and the King's Fund Institute, a health service think tank. Both organisations are expected to produce reports in the spring.

The two organisations have already said that short-term solutions would not remedy long-term problems. The King's Fund said after its meeting last week that it would be a mistake to respond simply with a "quick-fix" financial solution. The King's Fund group has agreed to discuss a number of issues in detail, including new methods of income generation, the appropriate public/private mix in the provision and finance of health care and whether or not the scope of the NHS should be defined more tightly.

# Survey praises UK companies' progress

By Jimmy Burns, Labour Staff

BRITISH workers believe that, compared with 10 years ago, their companies are better organised and the quality of work produced is higher.

These are the main conclusions of the latest attitude survey published this weekend by International Survey Research, the Chicago-based research group and consultancy.

The survey covered more than 62,000 employees in 21 companies. These are described as a "cross-section" of industry and the financial services.

According to the survey, more UK employees in 1987 understand what is "expected of them in their job" (91 per cent compared to 89 per cent in a similar survey conducted 10 years ago), think that work is "well organised" (66 per cent compared to 59 per cent) and feel that "work flows smoothly in their department" (65 per cent compared to 48 per cent).

However, the number of those who feel more secure in their job has increased only 3 per cent, while the proportion of those disturbed by "excessive pressure in their job" has increased over the past decade from 38 per cent to 49 per cent.

Downward communication in UK companies remains poor, with more than three quarters of those featured in the survey hearing about key company decisions first through "grapevine or rumour".

In spite of some of the negative findings, the survey concludes that generally UK companies had made "significant strides" over the past decade. "A Decade of Positive Change: Attitude of UK Employees 1977-1987" ISR International Survey Research Ltd 11-12 Buckingham Gate, London SW1E 0LB.

# Liberal leader takes strong stand in row on ties with SDP

BY TOM LYNCH

MR DAVID STEEL, the Liberal leader, yesterday insisted that the constitution of a merged Liberal and Social Democratic Party must include the specific commitments to Nato, the United Nations, the European Community and the Commonwealth, agreed in negotiations with the SDP.

He rejected a call from the Liberal Party Council to renegotiate the package to place the commitments in a policy statement rather than the preamble to the constitution.

However, he added that the council's rejection of "Alliance" as the short title of the New Liberal and Social Democratic Party was "not a matter we should fight over."

The row generated by the party council meeting, which was considering the draft constitution for a merged party at the weekend, was seized on by those in the SDP who are sceptical about the proposed merger, but was dismissed by sources close to Mr Steel as something that would be forgotten once the new party was up and running.

Mr Steel was at pains to play down the "unhelpful reservations" about the merger package expressed by the activist-dominated party council. He understood its argument that the commitment to the four organisations should be contained in a policy statement, while the preamble to the constitution should consist of principles more durable than any organisation formed to carry them out.

However, the commitment was already in the preamble to the SDP's constitution and "to launch a new party removing this would give a weapon to our enemies. We would face the accusation we were soft on defence or unsound in our commitments to international organisations."

"The political reality is that we are handing no weapons to our opponents, so as far as I am concerned, it stays very firmly in the preamble to the constitution. There is no question of us reopening this."

He did not want a split on the issue, but conceded that the Alliance might "lose a few members off either edge" of the Liberal Party or the SDP. Mr Michael Meadowcroft, the former Liberal member of parliament and the party's president-elect, warned that the merger still might not happen, but said both parties' special conferences next month would be "looking into the abyss" of what would happen without it.

Mr Steel stressed that the council meeting was part of a wider consultation exercise by the negotiators of both parties, and that its views would be considered in the same way as those of any other party members. The negotiators are due to meet next month, when there will be a final opportunity

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# Pay deals follow variable trend

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE RANGE of pay settlements has become exceptionally broad and the trend particularly uncertain, according to the latest survey by Industrial Relations Services, the research group.

Taking the three months to the end of November, IRS says the median level of increase was provisionally 5 per cent - down 0.5 per cent on the comparable figure a month previously.

However, the median level weighted by the number of workers covered by each settlement was 7.7 per cent. This was the highest for two years.

Excluding the top and bottom 10 per cent of the settlements monitored, IRS says the remaining 80 per cent of deals fell within the relatively wide range of 3 per cent to 7.75 per cent. The group notes that some of

the key November settlements had yet to be included in the analysis. It says these could either reassert the upward trend apparent in the autumn, or confirm the present apparent diversity, "heralding a period of great uncertainty for pay bargainers."

Pay and Benefits Bulletin 1987, IRS, 18-20 Highbury Place, London N5 1QP, by subscription.

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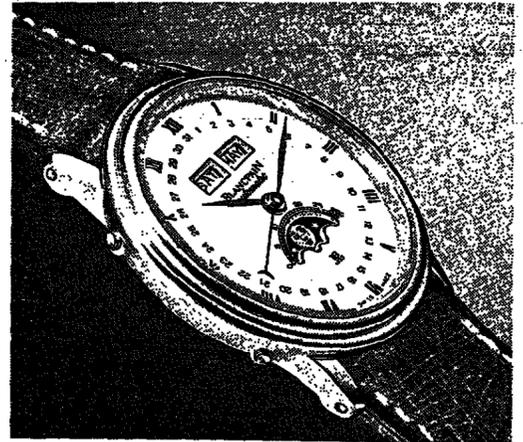


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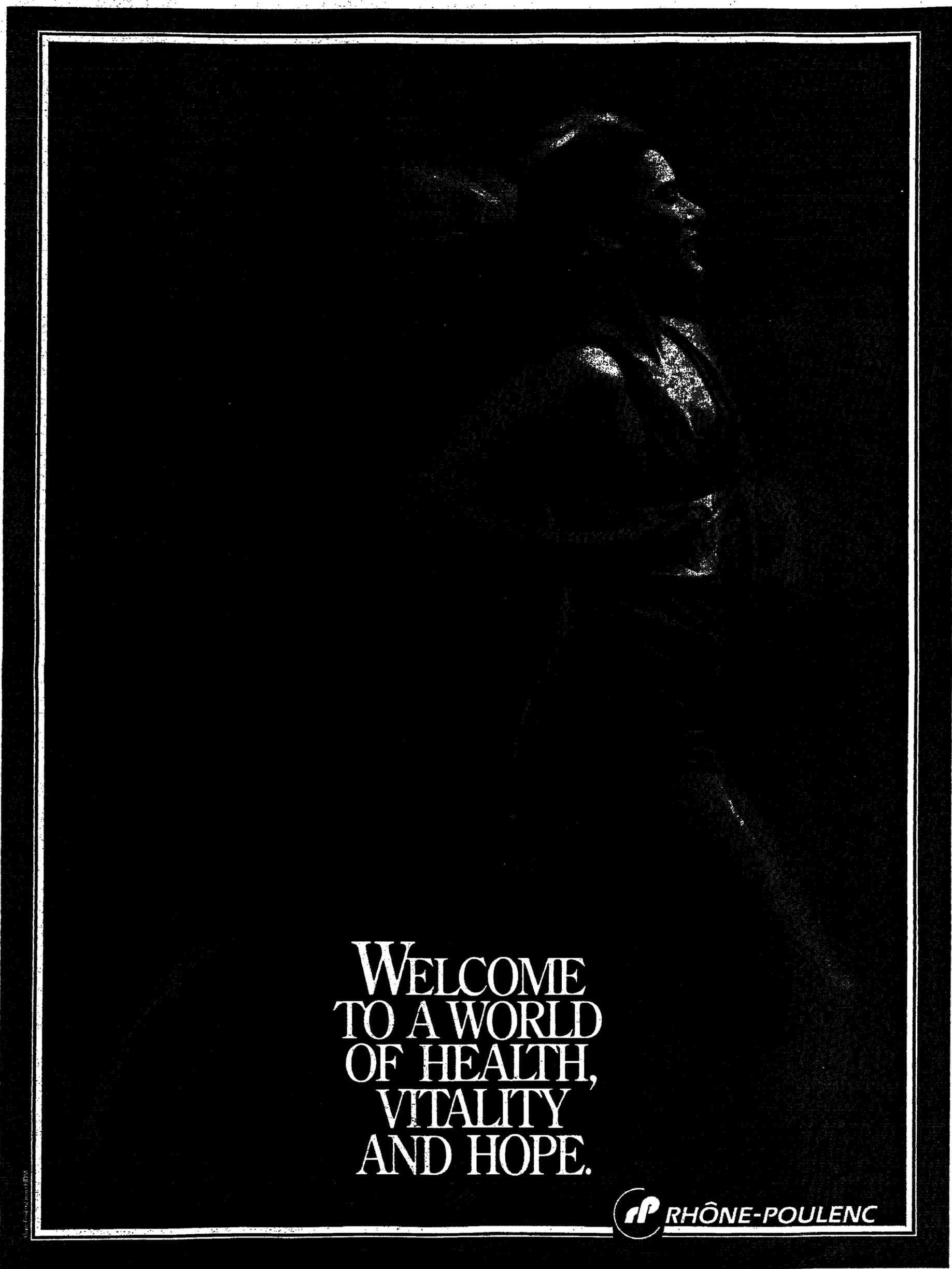
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UK NEWS

Channel Tunnel rail deal may use MoD-style curbs

By Kevin Brown, Transport Correspondent

BRITISH RAIL is considering ways of modelling a \$400m contract to build high-speed trains for the Channel tunnel on contracts used by the Ministry of Defence to control procurement costs from monopoly suppliers.

That is one of a number of ideas floated by BR in discussions on procurement with SNCF of France and SNCB of Belgium, its partners in the rolling stock project.

The three railway authorities have accepted that the contract will almost certainly have to be awarded to an Anglo-French-Belgian consortium which has emerged as the only bidder.

The consortium includes manufacturers in each country, and has agreed an equitable division of work that meets political demands in each country.

However, BR remains unhappy with the arrangement because it will have to abandon its policy of competitive procurement, which managers believe has saved millions of pounds.

The use of MoD-style contracts was raised by BR at a meeting with SNCF and SNCB in Paris last week, and is thought to have been sympathetically received.

Order for two gas platforms off Lancashire

By Lucy Kellaway

NEW ORDERS that will create up to 600 jobs directly and 1,000 jobs indirectly in the depressed offshore supplies industry have been announced by British Gas.

The company has placed a \$60m contract to build two drilling platforms for its Morecambe Bay gas field off the Lancashire coast.

The contract has been awarded to a joint venture company owned by Press Offshore and McDermott International.

The work, which will last for a year and a half, will be welcomed by the two fabrication yards at Wallsend on Tyneside and Ardersier, near Inverness, in Scotland, which have been short of work after last year's collapse in the oil price.

Morecambe Bay, which started gas production in 1985, has been designed to produce gas when demand is highest. British Gas said it would meet 10 per cent of UK demand during the peak winter period.

three years ago by the MoD in pursuit of value for money from the 40 per cent of defence procurement contracts not subject to competition.

The contracts specify an agreed cost for the product, plus an allowance for profit based on a rate of return comparable with the average for British industry.

BR says the production costs of components for the high-speed trains would be relatively simple to determine because the contract would specify the use of proven technology.

An alternative being canvassed by BR is for the consortium to sub-contract as much of the work as possible, and to agree to a high level of competition among sub-contractors.

Such a system could also include performance incentives and penalties, and provision for the railway authorities to inspect sub-contractors' financial records.

A large part of the project could be subject to sub-contracting, including key items such as traction units and transformers, as well as coaches, interior equipment and assembly.

Mr Malcolm Southgate, head of

BR's Channel tunnel planning team, said it was difficult to see how normal competitive policy could be maintained. But he added: "We shall be doing our damndest to ensure that we believe we have got value for money."

The contract, which will probably be awarded next autumn, is for 40 trains capable of operating at 180mph on British and Continental track. Services are expected to start in 1993.

The members of the consortium bidding for the project are British Rail Engineering, GEC Transportation Projects, Brush Electrical Machines and Metro-Cammell of the UK; Alsthom, ANF Industrie and De Dietrich of France; and BN and ACEC of Belgium.

The consortium has agreed that the French and British companies will each take 44 per cent of the work, with the balance going to Belgium. Electrical design would be led by GEC, and mechanical work by Alsthom.

The contract is separate from the fleet of shuttle trains to be used by Eurotunnel, the tunnel contractor, to carry vehicles between terminals in the UK and France.

PET sets a Capp at party drinking

By Maggie Ury

WHEN Andy Capp sends his wife out to buy beer he might not say: "Bring me back a bottle, pet" any more, but rather: "Bring me back a PET bottle."

The use of PET - polyester terephthalate - for alcoholic drinks bottles has grown rapidly in the last five years, according to a survey by the Economist Intelligence Unit.

While PET bottles have been used in the UK for carbonated soft drinks since the late 1970s, it was not until 1981 that cider was first sold in PET bottles, and 1982 for beer.

In 1986, the EIU says, 11 per cent of take-home beer was packaged in PET bottles, mainly the two-litre size. The losses have been glass bottles, down from a 16.5 per cent share in 1982 to 6.5 per cent in 1987, and large party cans, which have disappeared.

As for cider, PET bottles now account for half the take-home market.

While consumers prefer beer in cans, the survey reckons they see the advantages of the large PET bottles - terms of weight, reusability and economy, especially for parties.

The EIU predicts a market growth for beer PET bottles from 52m units in 1986 to 78m-80m units by 1990, and from 25m to 60m for cider.

However, PET bottles are much less likely to catch on for wines and spirits, where the quality image of glass is preferred.

The exception is in airline miniatures. A glass miniature weighs 69 grams more than a PET one. Thus on 1,000 miniatures the weight saving is nearly 60 kg - equivalent to one lightly built passenger.

Tap water 'safe and no filters needed'

TAP WATER in England and Wales was safe, cheap, its standard rising, and there is no health need to buy bottled water or to use filters, the Water Authorities Association said yesterday.

Its paper, Drinking Water Quality: The Facts, decried

SE and business group urge state review of capital taxes

By Simon Holberton

THE GOVERNMENT has been called on to modify or abolish capital taxes in next spring's Budget.

The Stock Exchange says in a pre-Budget submission that capital gains tax distorts the efficient working of financial markets and calls for its abolition.

In a separate submission, the Association of Independent Businesses (AIB), says capital taxes are crippling the expansion of the small business sector.

The Chancellor, Mr Nigel Lawson, has made the reform of UK taxation one of his key policy aims in the life of the current Parliament.

Many independent economists believe next spring's Budget will offer him one of the best opportunities to carry out this reform, given the current strength of the Government's finances.

The Stock Exchange urges the Government to modify the application of the capital gains tax if, for political reasons, it is unable to abolish it.

It says: "Gains made within six months should attract the highest rate, and the tax taper to nothing after three years. This



Nigel Lawson: tax reform one of his key aims

because it promotes a one-generation society.

Mr David Selby, chairman of the association's tax committee, says: "An increasing number of businesses are being disbanded simply in order to pay the inheritance tax on the death of the owner. The ownership of capital is moving away from individuals and into the hand of Government."

Both groups have called on the Government to abolish stamp duty on share transactions.

The Stock Exchange says stamp duty, even at 1/2 per cent, is a high proportion of dealing costs.

It adds that if London wants to remain Europe's main financial centre it will have to eliminate all impediments to its efficiency, especially in the context of the EC's aim of a unified market by 1992, after which "pressures for freedom of movement in financial services will become very strong."

The AIB has also called for the abolition of the 1 per cent stamp duty on property. It says that would encourage labour mobility.

would encourage more investment and would be unlikely to have any adverse effect on revenue.

The AIB says the present method of taxing inherited capital is having a damaging effect on business and the economy

US bank warns over deficit

By Simon Holberton

BRITAIN is in no better position to weather an extended deterioration in its current account on the balance of payments than it was in the 1960s or 1970s, according to a study by Goldman Sachs, the US investment bank, yesterday.

The UK current account moved into deficit last year and has begun to assume importance for financial markets and official policy makers.

However, Goldman Sachs also says that UK and worldwide trade data are unreliable and the UK's current account deficit may be overstated. Next year, it expects only a small current-account deficit, but warns of longer-term problems.

The current account of the balance of payments is of concern in so far as it is related to the stock of productive capital, and judged against that yardstick very little has changed from earlier periods.

The rise in investment overseas in the 1980s has been accompanied by a simultaneous fall in investment rates at home, especially in productive assets, it says.

The future depends on whether any shift into current-account deficit is accompanied by extra investment at home.

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The future depends on whether any shift into current-account deficit is accompanied by extra investment at home.

The likelihood is, however, that foreign inflows would be used to support consumption rather than boost domestic investment.

"These would be the right conditions long-term for currency crisis and, eventually, for collapsing sterling," the study says.

The US investment bank says the existence of a large stock of external assets does not make a current-account deficit inherently easier to finance.

There is no case for another cut in interest rates and the Government should use exchange-rate policy to bear down on inflation, Liverpool University's economic research group said yesterday.

Car traders ask for sterling stability

By John Griffiths

THE UK market for cars and trucks will decline next year, as a result, exports will assume even greater importance, so it is "essential" that sterling stays at a level that will not damage international competitiveness, according to the Society of Motor Manufacturers and Traders.

In a lengthy, pre-Budget submission to the Chancellor, the SMMT is warning that any significant reduction in car output

would greatly harm the hard-won progress which has been made by British-based manufacturers in recent years.

Car output has risen by nearly 40 per cent since 1982, from 880,000 to an expected 1.2m this year.

"The time has now come for full British membership of the European Monetary System (the 'snake')," urges the SMMT. "While this might involve the

risk of more volatile interest rates, it would help to eradicate unpredictable short-term fluctuations in the nominal value of sterling and could also help bring UK interest rates more into line with major European competitors."

The SMMT makes a number of other, often-repeated, appeals to which the Government has consistently turned a deaf ear.

Labour call to stop BP taking over Britoil

By Tom Lynch

THE GOVERNMENT should stand firm by using its golden share in British oil company to prevent the proposed £2.7bn takeover by BP, Mr John Smith, the shadow Chancellor, said yesterday.

Speaking on BBC Radio, he commended the Government for making clear that it would use the golden share to prevent any bidder gaining control of Britoil and said he was surprised by BP's decision to pursue its 460p-a-share bid, which on Friday plunged the City into confusion.

"The Government has a duty to demonstrate that the golden share has the power the Government advertised for it." If the device did not work in the case of Britoil, it would not be effective in other privatised companies, such as British Aerospace.

Mr Smith said he would be "very surprised" if the Takeover Panel allowed the BP bid.

If the panel did let the bid go ahead, opening the way for BP to acquire the shares with only 49 per cent of the voting rights, "then we are in a considerable muddle: the Government has to sort it out."

"If it has the determination, the Government can win, which is why I am rather surprised by the aggressive attitude of BP."

Mr Smith argued that the bid should not be allowed, because it would give BP too much say in the North Sea and because there was "a great deal of sensitivity" on the issue in Scotland.

Go-ahead for N Sea oil field

By Lucy Kellaway

OCCIDENTAL PETROLEUM, the US oil company headed by Mr Armand Hammer, has announced that it has been given approval for its \$35m development of the Chanter field in the North Sea.

The field, discovered in 1985, will be developed using subsea technology and will be tied into the Piper platform.

Mr Peter Morrison, Energy Minister, said: "The subsea system which Occidental propose to employ in developing the field is a clear demonstration of how innovative companies can reduce costs and develop small oil fields despite uncertainties over oil prices."

The SMMT makes a number of other, often-repeated, appeals to which the Government has consistently turned a deaf ear.

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# Matchbox plans to revive Dinky model car brand

BY NICK GARNETT

DINKY, one of the most evocative names in toy making, is being reborn as a brand for miniature cars. Matchbox intends introducing a range of die-cast metal miniature vehicles branded as Dinky later next year, and plans to announce that next month at the Harrogate toy fair.

However, the new Dinkies will be manufactured in Asia, almost certainly at the huge die-casting plant in Macao operated by Matchbox, part of the Universal Holdings group, of Hong Kong.

Reviving the Dinky name will probably excite more nostalgia in adults than joy among children. Stretching back into the 1930s, Dinky became virtually a generic word for a toy car.

Matchbox makes all its die-cast models in Macao and China. This year, it ended die-cast model manufacturing in the UK when it transferred production of its Yesteryear range from its Rochford plant, in Essex.

Matchbox, the world's largest producer of die-cast toys, purchased the Dinky name this year from Kenner Parker, the US toy company.

Mr Gerry Tekehan, Matchbox marketing manager for the UK, said the new range would be

"collectable". Matchbox had done a lot of market research and the new Dinky "would retain the essence of what the Dinky means to people."

The company had to start "from scratch" with the Dinky, because there were no new production moulds. Mr Tekehan declined to give further details on the scale of the new models, their styling or packaging.

Dinky was a victim of the state of company collapses that changed the face of the UK toy industry in the early 1980s. It was part of Airfix, which went into receivership in 1981.

During the following two years, other miniature-car makers stumbled. Lesney ran into difficulties and Mettoy, which owned Coro, went bankrupt.

However, miniature-car making has been recovering in the UK. Coro, the subject of a management buy-out in 1984, is now making more than 30m miniature vehicles a year at its plant in Swansea and claims more than a third of the UK market.

Other manufacturers include Lledo, founded by Mr Jack O'Dell, a former senior manager at Lesney, Britain, and a host of specialist model makers.

# Air show 'likely to be the largest yet'

By Michael Donoh, Aerospace Correspondent

NEXT SEPTEMBER'S Farnborough International air show is likely to be the biggest yet, with the Society of British Aerospace Companies being inundated with requests for attendance from home and overseas companies.

The SBAC, responding to reports that British Aerospace was considering reducing its participation in the Farnborough Flying Display as a means of cutting costs, said demands for chalets and exhibition space were well up on 1986, but were expected to be able to satisfy the requirements of all exhibitors this time.

The SBAC added that planning for the flying display itself would begin early next year "when companies have informed us what aircraft they wish to show."

BAC has confirmed that while it will continue to support the new Farnborough show and has no plans to abandon it for a private display of its own, the heavy costs involved in Farnborough are likely to restrict the number of aircraft it enters for the flying display. On present planning, these will be the Advanced Turbo-prop (ATP) airliner, the advanced Type 145-300 jetliner and the Hawk light trainer/combat aircraft.

The BAC view is that the costs of entering additional aircraft - for example such military types as the Tornado multi-role combat aircraft, the Harrier vertical take-off fighter, and the RAP experimental aircraft, which embodies much of the advanced technology for the future European Fighter Aircraft (EFA) - ought to be shared by the industry as a whole.

That is because such demonstrations, in helping to sell these aircraft, benefit the equipment and avionics manufacturers as much as BAC itself.

It seems likely that this view will be discussed at some length as the individual members of the SBAC work out the details of their aircraft entries for the September show.

# Kevin Brown examines whether the shipping industry is crying wolf

## Shipowners launch another plea

BRITISH SHIPOWNERS have probably used much paper in the past decade trying to persuade governments they are not exaggerating the severity of the crisis facing the industry.

The response has varied from the disbelieving to the dismissive, and when action has been taken it has often had only minimal effect, or even made things worse.

None the less, the owners have kept plugging away, launching one campaign after another, spearheaded each year by a fresh chairman of their trade association, the General Council of British Shipowners.

The latest appeal is in a 30-page analysis of the industry sent to ministers last week. The document, 'The Future of the British Merchant Fleet', has new ideas and seeks to explain why the Government should decide that shipping matters enough to deserve fiscal support.

The council hopes the document will, at least, stimulate a Cabinet debate before Mr Nigel Lawson, Chancellor, drafts his Budget, expected in March.

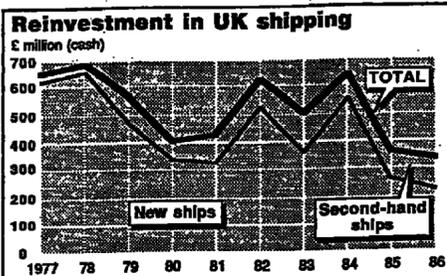
However, the prospects of intervention by him, or by Mr Paul Channon, the Transport Secretary, are regarded as minimal, even by council officials.

Mr Kerry St Johnstone, council president and chairman of P & O, the container line, said the analysis had "landed with a dull thud on Paul Channon's desk."

He added: "I personally licked the stamps for Numbers 10 and 11 Downing Street. That is about the only satisfaction we are likely to get out of it, I suspect."

The crux of the shipowners' case is that there has been a dramatic decline in the number and tonnage of UK shipping since the start of a worldwide maritime recession in the wake of the early-1970s oil crisis.

The council has figures showing that the UK-owned and registered fleet has fallen from a peak of 1,614 ships of about 50m tons deadweight in 1976 to 400 ships of 5.5m tons dwt this year. It



says if nothing is done, the fleet might collapse to as few as 100 ships by 1995, implying almost the extinction of the UK as a maritime nation.

To avoid that, the owners propose a range of aids on capital spending and running costs to promote investment in new ships.

On the capital side, they want reintroduction of capital investment allowances, abolished by Mr Lawson in 1984 in his reform of corporate taxation. The council says that, discounting cuts in the tax rate since 1984, the capital allowances were worth £225m per 100 ships more than the less generous writing-down allowances that replaced them.

Because the Government shows no sign of reversing the 1984 reforms, the council proposes alternatives to recover the lost £225m:

- Roll-over relief for balancing charges. That means the Treasury would forgo tax on profits on ships in excess of written-down value, provided the money was reinvested in shipping.
- Use of powers under the 1972 Industry Act to provide grants for ships available for emergency requisition.

The range of possible help with running costs is more varied. It includes contributions towards the cost of training and

the Prime Minister and thus secure action.

However, no action can be expected on those grounds until publication of a Nato report on merchant requirements, expected in about 18 months.

In economic terms, the owners are on less solid ground. In spite of the long recession, there have been no spectacular collapses in the UK and most shipping companies are profitable, although many have found success by diversifying into other areas. They include Peninsular & Oriental Steam Navigation, and Ocean Transport & Trading.

Ministers say shipowners have reacted well to the difficult market conditions, and, like much of the rest of industry, are fitter and leaner as a result.

They say that when demand improves, shipowners will react in the same rational way in which they coped with recession: investment will resume without handing over public subsidies.

Further, ministers say the decline of the UK-flag fleet is less important than the number of ships under British control, which includes 235 vessels owned by UK companies but registered in the Isle of Man, British dependent territories and elsewhere.

That means the actual level of the UK-owned fleet is 16.5m tons dwt, a 66 per cent fall since 1976. This is comparable with the experience of other European maritime nations such as Norway (77 per cent) and France (56 per cent).

There is also evidence the fall is at a plateau this year and that the fleet is likely to remain about 17m tons dwt.

If shipowners' pleas for help are not to fall on deaf ears, the owners have to convince the Government they are not seeking unnecessary subsidies. For now, ministers seem likely to conclude that, with the possible exception of defence implications, for which a decision will await the Nato report, the owners are still crying wolf.

# N Ireland threatens Lever boycott

Financial Times Reporter

SUPERMARKET CHAINS in Northern Ireland are threatening to boycott orders for the 29 consumer products of Lever Brothers, after the company's decision to take Northern Ireland out of its UK pricing structure and impose an additional 4 per cent for delivery costs.

The Northern Ireland Consumer Council is supporting that stance until the policy is reversed. The brands of Lever Brothers, Unilever's soap and detergent subsidiary, include Persil, Domestos and Comfort.

Mr Ron Savage, marketing director of grocery wholesaler John Henderson, said: "There is no way that we will accept anything other than general UK prices. A very strong principle is involved. We are unanimously and immediately de-listing Lever Brothers' products - you can call it a boycott if you like."

Mr Sean Fearon, Northern Ireland manager for Dublin-based Dunnes Stores, with 31 supermarkets in the North, said: "Lever Brothers can whistle for orders after this as far as we are concerned. The trade is very upset."

Lever confirmed on Tuesday the decision to group Northern Ireland together with the Channel Islands and Isle of Man in a new (Island) pricing structure in spite of protests by the provincial grocery trade and the Consumer Council over the impending price rise, to take effect on January 4.

According to Lever: "The company can no longer absorb the transport costs in what is a very competitive market with slim margins."

# Halifax fights cash dispenser vandals

BY RICHARD WATERS

HALIFAX Building Society is cracking down on vandals who have rendered inoperable about 50 of its cash dispensing machines during the last year.

It is installing surveillance equipment at some high-risk machines and is offering a reward to anyone who helps to identify vandals who are subsequently prosecuted. The size of the reward will depend on the circumstances, but is thought likely to be around £100.

The society, which has 700 through-the-wall Cardcash machines, refused to describe the types of violence meted out to its machines for fear of encouraging copycat attacks, but it hinted that crowbars had been used occasionally.

The Halifax said it was taking the steps "more in sorrow than in anger".

The society spent about £150,000 last year mending vandalised machines. Those attacked, which tend to be in inner-city areas, are often damaged several times a year.

Other institutions with cash dispensers report few instances of vandalism.

However, the TSB said yesterday that it had funded a renovation of all its 674 through-the-wall dispensers, begun a year ago.

The Halifax, which said it did not underestimate the ingenuity of the vandals, is to place its surveillance equipment well out of their reach.

## APPOINTMENTS

### BP Oil International head

BRITISH PETROLEUM COMPANY is to appoint Mr Russell Seal as chief executive and managing director of BP Oil International from February 29. He succeeds Mr James Ross who has been appointed vice chairman and chief executive officer of BP America Inc.

Mr Seal joined BP in 1964, and worked in New York and Rotterdam. After a period in the Far East, he returned to London as general manager of the trade and supply department responsible for international trading worldwide and the running of the group's refining interests in Rotterdam and Antwerp. This year responsibility for the manufacturing and supply business development unit and international marine operations was added. He is also a director of BP Oil International, BP Minerals, and a member of the management committee of BP Finance International.

and marketing activities in the UK and European supply and trading operations. Mr Moore's former job goes to Mr David Watts.

ROBERT M. DOUGLAS HOLDINGS has appointed three directors to the board of R.M. Douglas Construction from January 1. Mr John S.S. Brown will assume responsibility, as construction director, for all operations in the South of England including the East Midlands and civil engineering throughout the country. Mr John C.E. Shaw will assume corresponding responsibility for the North of England, including the West Midlands. Mr Graham Westwell will be responsible for all special projects, including management contracting activities and the work of the design/build department.

Mr J. Adair Turner has been elected a principal of MCKINSEY & CO in the firm's London office.

Mr Quinton Hazell has been appointed non-executive chairman of AEROSPACE ENGINEERING. He succeeds Mr Simon Knott who has been elected deputy chairman.

Mr Tony Arrowsmith, Mr Simon Barrow, Mr Miles Broadbent, Ms Angela Heylin, Mr Michael Pridoux and Mr Michael Williams, chief executives of Charles Barker group's principal operating companies, have been appointed executive directors of CHARLES BARKER PLC.

MORGAN GRENFELL & CO is making the following board appointments from January 1: Mr E.D. Abbott, Mr J.P. Asquith, Mr B.J. Cook, Mr G. Michie, Mr D.H. Thomas, Mr L.J. Dowley, Mr E.J. Kretowicz, Mr P.P. Macnamara, Mr C.D. Nicholson and Mr C.M. Berry. Morgan Grenfell Asset Management has appointed Mr Ian Morris to the board from January 1.

The new group managing director and chief executive officer of CONOCO LIMITED is Mr Terry Moore. Mr Moore, previously managing director, supply and trading, Europe, will be responsible for the company's refining

Mr Michael MacLoughlin, general manager, branch banking, Britain, BANK OF IRELAND, will retire on February 1. He will continue as a director of the bank's board in Britain. Mr Pat O'Hara, general manager, operations in Dublin, will succeed him as general manager, branch banking Britain.

Mr Peter D. Jenner has been appointed technical services director of the LEVITT GROUP and Mr Alan P. Johnson investment director.

Mr John M. Holton has been appointed a director of HARTLEY COOPER ASSOCIATES.

## SPAIN

The Financial Times proposes to publish this survey on

MONDAY 18TH JANUARY 1988

For further information please contact: Mr Luis Andradre Ponzano 72-2C 28003 Madrid Spain Tel: 456 2778

or

Mr Robert Leach Financial Times Bracken House 10 Cannon Street London EC4P 4BY Tel: 01-248 8000

At J.H. MINET & CO Mr Robert Jensen has been made an executive director of the North American marine division. Mr Roger Myers and Mr Gary Drew have been appointed directors of the North American marine division.

Ms Bridget Barber (banking contracts), Mr Peter Bushy (secured lending), Mr Nigel Dorman (corporate tax), Ms Susan Moverley and Mr Richard Benben (commercial property), and Mr Robin Waters (corporate) have been appointed partners at MACFARLANES from January 1.

Mr Bernard G. Stroud has taken over as executive chairman, and Mr Leslie H. Chifford as managing director of CIRCAPRINT HOLDINGS.

Mr Colin Stanley becomes director general of the BRITISH PRINTING INDUSTRIES FEDERATION on April 1. He is a director of Wiggins Teape Paper.

M & N DWEEK & CO, Manchester, a subsidiary of Dwek Group, has appointed Mr Bob Wright, Mr Tony Burke and Mr Albert Ishman to the board. All have been with the company since the early 1970s.

HRGM MARINE, a subsidiary of HRGM Insurance Brokers, has appointed Mr Michael J. Behling its managing director. He joined Hogg Robinson and Gardner Mountain in 1984 as director of the marine company.

ROYAL TRUST BANK has made the following appointments: Mr David Jones becomes divisional director, operations, and Mr Malcolm Ferguson, senior manager, commercial lending.

Mr Hamish Mepple has been appointed group controller at BTE, based at its London head office. He was group chief accountant at Babcock International.

LAZARD BROTHERS & CO has appointed Mr Philip Hampton, Mr Neil Lakes, Mr John Scott, and Mr Kevin Wilson directors from January 1. Mr Hampton and Mr Scott are assistant directors in the corporate finance and international division. Mr Lakes is an assistant director in the banking division and Mr Wilson is managing director of Lazard Money Broking.

Mr Tony Stanghter has been appointed chief executive of ST. JAMES'S PUBLIC RELATIONS and a director of the parent company, St. James's Corporate Communications. He was a director at Burson-Marsteller Financial and a main board director of Burson-Marsteller.

Mr Alex Fletcher, former Corporate and Consumer Affairs Minister, has been appointed to the board of FLETCHER JONES, the company formed by his son Richard in 1979.

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Santander.



Benalmadena (Málaga).



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Imagine you're here in Spain. After a delicious breakfast served in your hotel room, you're deciding how best to spend the morning. On sand or grass? It's so hard to choose. Our beaches are always tempting. But... isn't a round of golf just as tempting? Get ready to enjoy yourself. Take your eyes off the ball for just a moment and look around. In Spain our golf-courses are always found in especially beautiful and unusual settings. Try exploring when your game's over. But first don't forget to stop off at the 19th hole - the restaurant. A hearty lunch accompanied by an excellent Spanish wine will help you get your strength back before setting out on a fantastic adventure - discovering Spain.

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OVERSEAS NEWS

Japanese win £30m printing press order

BY NICK GARNETT  
KOMORI, the Japanese printing press manufacturer, has won a \$30m order to supply eight presses to Imprimerie Jean Didier, the French printing company.  
It is the biggest order secured by Komori in Europe and one of the largest single orders ever placed for commercial web offset presses.  
The deal reflects the attempt by Japanese companies to take a larger share of the intensely competitive market for printing machinery.  
The world's largest suppliers of this equipment are West Germany, with companies such as MAN and Heidelberg, and the US whose producers include Harris and Goss.  
Komori claims to have almost 40 per cent of the Japanese market for web offset presses and exported last year \$100m of equipment.  
Imprimerie Jean Didier, which has four factories in Europe, says it supplies more than a quarter of web offset printing in France and 7 per cent of European web offset printing.

Paris strikers end bank sit-in

THE 18-DAY occupation of Bank of France's Paris headquarters ended after a draft accord was agreed between striking workers and management.  
Reports from Paris: Talks over staffing, wages, pensions and the bank's future activities were continuing.  
A joint statement by unions and management said activity at the bank should return gradually to normal from today.  
A union spokesman said strikers would consider other forms of protest if the talks failed.

US official warns of big rift with EC over Airbus

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE US and the European Community are heading for a serious rift over subsidies on Airbus aircraft unless one side backs down, a top US trade official has warned.  
In a background briefing for US journalists, the official said a false impression of progress had arisen in Europe following the meeting in Brussels on Airbus ten days ago between Mr Clayton Yetter, US Trade Representative, and Mr Willy de Clercq, EC Trade Commissioner.  
In fact deep disagreement remained and the two sides were still "far apart philosophically".  
He said doubts were growing in Washington about the value of pursuing the Airbus discussions in the absence of fresh political momentum from Europe. The talks could make lit-

tle progress because the Europeans insisted on maintaining Airbus subsidies.  
The Reagan Administration, expected to review the Airbus situation at cabinet level in the New Year, he said. It would be difficult for the US to back down, however, because of strong pressure from Boeing and McDonnell Douglas, which argue that their business is threatened by the Airbus subsidies.  
There was therefore growing risk of a trade war in the world market for commercial aircraft, which Airbus calculates will be worth \$400bn over the next 20 years. The US official said Airbus had become "the single most important trade issue between the US and Europe".  
In Brussels the EC Commission said at the weekend that the official's remarks showed a hardline

faction over Airbus had emerged in the Reagan Administration, but his insistence on anonymity implied that his views were not necessarily those of the Administration as a whole. Mr de Clercq and Mr Yetter had agreed at their meeting that the talks should continue.  
"We are in the process of negotiating. We are prepared to negotiate. We have said that they are prepared to negotiate," the Commission said. "We feel it will be very difficult to reach agreement. We hope it will be possible, because everybody needs it."  
Under the schedule set by the Brussels ministerial meeting negotiations are to resume at official level in early January with a full ministerial meeting following, probably around the end of the month.

New delay to prop-fan project

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING appears to be further delaying development of its revolutionary fuel-saving 737 propfan airliner in the face of low aviation fuel prices and lack of interest from airlines in the 150-seat aircraft.  
The aircraft was originally to begin full-scale development next summer, for service in 1992. But Boeing now says 1993 is the earliest likely in-service date, and that it may be 1994 or later.  
The unique propfan engines use up to 40 per cent less fuel than conventional jet airliners.  
However, many operators show no sign of phasing out their existing older cost-effective short-to-medium haul airliners, such as 727 tri-jets, while sales of other airliners such as Boeing's 737 twin-jet and the Airbus A-320, continue to be high.  
Boeing remains convinced that

the 737 will emerge by the mid-1990s, but earlier this year recognised that a stronger market response was necessary before committing large sums for full-scale development.  
As a result, the engineering force on the 737 is being redeployed. The number of workers involved, already cut from 1,000 to 900 in October, is now down to 600, with a further cut to 300 planned over the next few weeks. These workers are being switched to other aircraft programmes.  
Boeing has also reorganised the management of the 737 programme. It has set up a wider organisation to study advanced technology and design, and the 737, originally a separate division, has been incorporated into that.  
Mr Alan Mulally, formerly

director of engineering for the 737, will be general manager of the new organisation, with responsibility for other ventures, including Boeing's contribution to the US Government's studies on future high-speed commercial transport.  
Boeing says that while discussions continue with potential 737 customers, it will "study the potential application of 737 technology to other programmes."  
"Because of the major growth in air traffic projected between now and the year 2000, the new organisation structure will assure a synergistic approach to development and implementation of technical advances in all new and derivative Boeing products, including the high speed commercial transport under study."

SHIPPING REPORT  
Opec talks unsettle tanker market

By Kevin Brown, Transport Correspondent

THE TANKER market was left confused last week by the uncertain outcome of the Opec meeting.  
Brokers were forecasting prices could go into freefall as a result of the divisions among Opec members, and could drop to \$18 per barrel or even \$12 in the spring.  
Theoretically, cheaper oil should increase demand for tankers, but as Galbreath's, the London brokers, pointed out, past experience indicates that this is likely only if prices remain stable.  
Meanwhile, little business was being done in the Gulf, and a London charterer seeking a ship for a 200,000 tons cargo from Hormuz to the West received only two firm offers.  
The oil was eventually fixed at a part cargo in a 320,000 tons very large crude carrier at Worldscale 27.5, equivalent to about Worldscale 30 for a full cargo.  
Otherwise, the Middle East was quiet, with some small ships fixed at Worldscale 42.5 to Worldscale 44 for the trip from Ras Tanurah to the Far East, and Worldscale 115 for 80,000 tons of crude to Singapore.  
Elsewhere, business was more brisk in West Africa, but rates suffered because of a surplus of available tonnage. Brokers said there was some hope that increasing orders would push rates up this week, however.  
Business firmed in both the Mediterranean and North Sea, where owners were fixing at around Worldscale 100 for short voyages of 80,000 tons.

UK NEWS

Rosehaugh ponders role in private prison building

BY ANDREW TAYLOR

ROSEHAUGH, one of Britain's biggest office developers, has been considering whether it may have a role to play in building private prisons. The Government is to decide next year whether to allow private companies to finance, build or operate prisons.  
Rosehaugh, together with its development partner Stanhope, is building the Broadgate office scheme, next to Liverpool Street station, which was formally opened by the Prince of Wales last week and is said to be Europe's biggest office development.  
The company, which is understood to have had discussions with Chubb, the security specialist, is anxious to play down suggestions that it is preparing plans to build private prisons.  
Mr Robert Freeman, a senior executive with Rosehaugh, had done no more than consider

whether it might be worthwhile thinking about private prisons if the Government decided to move in that direction.  
He said the company had regular discussions with all kinds of contractors, including Chubb, but that did not mean Rosehaugh was going to leap into the private prison market.  
Several large construction companies have expressed an interest in the possibility of building and managing prisons and prison services privately.  
Midland Bank and Farmac, one of Britain's biggest construction companies, recently formed a consortium to design and build either privately or with public funds.  
Farmac said the consortium would not want to manage prisons but would be prepared to offer ancillary services such as

catering.  
John Mowlem and Sir Robert McAlpine, two other large construction groups, have also announced a joint venture to investigate the possibility of privately financing, building and operating prisons as is the case in some US states.  
The Home Office last week announced the establishment of the Prisons Building Board, which has been asked to produce a design brief that would allow sufficient flexibility to cope with the changing nature of prison populations.  
Miss Margaret Clayton, director of services at the prisons department, will head the board. She said the establishment of a design brief would not preclude any decision the Government might wish to take on private financing and running of prisons.

A meagre Christmas for many

By Alan Pike

BRITAIN'S "two nations" do not disappear with the switch to the Christmas lights, according to the Family Policy Studies Centre.  
It says today that while the average British child will receive presents costing \$70-\$80 this week, the Christmas stockings of children living in families on supplementary benefit are likely to consist of more meagre items such as a \$1.79 piggy bank and a 55p packet of crayons.  
Mr Malcolm Wicks, the centre's director, said yesterday that children on benefits were likely to receive "the kind of presents most children would treat simply as stocking fillers."  
A study of families on supplementary benefit published by the centre last year showed that a typical couple with two children would have \$1.19 a week to spend on toys, stationery and similar goods and a single parent with one child \$1.06. All routine household stationary requirements as well as Christmas and birthday presents and other gifts would have to be met from those amounts.  
The centre, which receives both government and private financial support, compares the two images of Christmas to be experienced by British families this year in the winter issue of its bulletin.  
It notes that up to 5m Christmas trees and 10m tins of tins will be sold. Total expenditure on toys will be about \$950m. About three fifths of the population regard the best part of Christmas as the family having an opportunity to get together - although half admitted in a recent survey to having blazing rows at home, usually over money.  
The centre also notes that more than 2m children live in homes with incomes at or below supplementary benefit level, and nearly 1.5m are in families affected by unemployment. About 100,000 households will have become officially homeless during 1987.

Newsagents face holiday sales threat

FINANCIAL TIMES REPORTER

NEWSPAPER WHOLESALERS have threatened to withdraw supplies from Findlay's Group newsagents if they do not stay open on Boxing Day to sell copies of the Daily Mirror, the Sun, Today and The Times, according to Mr Arundhati Patel, Findlay's chairman.  
The National Federation of Retail Newsagents has received scores of complaints from its members that they are being bullied to stay open on a day when they do very little business, as a favour to the News International and Mirror Group newspapers, the first national titles to be published on December 26 for decades.  
The publishers have assured the federation that no punitive action is to be taken against the 40,000-odd independent shops. However, they are all vulnerable to the threat that if they shut, the wholesaler may decide to supply a neighbourhood rival. At present wholesalers have territorial monopolies outside London and can decide whom they wish to supply.  
Wholesalers themselves are

fearful of losing up to a third of their business. The Mirror's War News Distribution opens up to tender the distribution rights of titles owned by Mr Rupert Murdoch's News International. They are clearly eager to demonstrate their loyalty by ensuring that the Boxing Day editions go well.  
Mr Patel has stood firm against the wholesalers. His 288 shops will remain shut from December 25 to 28, but many independent shopkeepers are wavering.  
The Martins newsagents chain, recently sold by Guinness to a group in which Mr Murdoch's News International has a large stake, planned to stay open for the whole of Boxing Day but after a staff revolt a compromise agreement was reached.  
Most of Martins' 1,008 shops will open for three days to get the Maxwell and Findlay's papers sold, and staff have been given generous pay awards for the day.  
Paper rounds have been abandoned, however, for 1987, forcing delivery on Boxing Day.

Returned stolen painting brings second headache

BY NICK BUNKER

IT LOOKS like a Christmas tale of a repentant criminal returning his loot. It may actually be a puzzle for art historians that links 18th century Bologna with rural Hampshire.  
On Friday, the Rev Ralph Gurr found a package in the porch of his church in Stoneham Lane, Southampton. Wrapped in dustbin liners was an old oil painting, measuring 18 by 15 inches.  
It was identified by the Rev James Tarr as the painting stolen, along with a 17th-century Spanish silver cross, from his Norman church in nearby North Baddesley on the night of December 10.  
It portrays Christ after his descent from the Cross, and it used to hang in a bricked-up

chancel doorway, a gift from the Chamberlayne-Macdonald family, patrons of the living.  
The silver cross is still missing. But the vicar and his parishioners still have a mystery to solve with the returned painting.  
Although experts apparently declared it valuable 30 years ago, the vicar attributes it to Annibale Carracci (1609-1689), from Bologna, who painted the Galleria frescoes in the Palazzo Farnese in Rome.  
On December 8, at a Phillips auction in London, Annibale Carracci's painting of the Holy Family with St Lucy sold for \$845,000. "We'll have to have it valued," said the vicar yesterday. "But if it is a Carracci, we'll have a problem on our hands."

Seasonal tile gift shows up market gap

By Andrew Tyyler

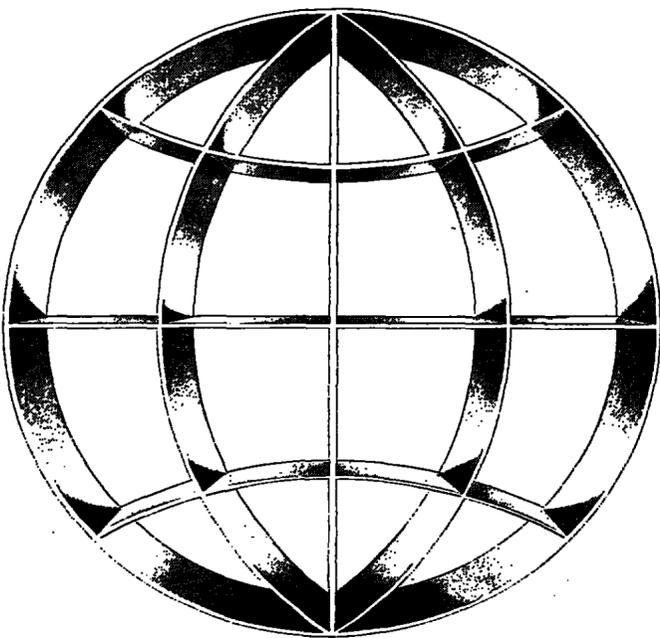
A GOOD WILL gesture by a Stoke-on-Trent tile company which decided to send a Christmas greeting to its customers on its ceramic tiles, has generated a new business for the company.  
The Art Tile Company, which recently opened its first showrooms in London, produced 250 Christmas tiles to send to customers.  
Mr Tim Evelt, managing director of the privately owned company making high fashion wall and floor tiles, said: "The response was astonishing. We were inundated with inquiries from people wanting us to make Christmas tiles so they could send them out to their customers."  
"People are using the tiles, which carry an attractive Christmas scene, as coasters and tea-pots mats."  
The company has since manufactured another 1,000 Christmas tiles which are selling extremely well at \$2 a tile.  
"We already have orders for 4,000 tiles for next Christmas," the company said.

GRANVILLE SPONSORED SECURITIES

Capitalisation £000's	Company	Price	Change per week	Gross Div (p)	Yield %
6564	Ass. Brl. Ind. Ord.	193	-3	8.9	4.6
450	Ass. Brl. Ind. CUS	199	-3	10.0	5.0
4554	BBB Design Group (USM)	55	-2	4.2	7.6
101799	Barren Group	154	+1	2.7	1.7
617	CCJ Group Ordinary	341	+4	4.7	3.3
1625	CCL Group 11% Conv Pref	294	-3	11.5	4.4
16886	Carromed Int	130	-1	15.7	12.1
702	Carromed Int	131	-2	5.4	4.1
2694	George Blair	100	0	10.7	10.7
5975	Int Group	75	+1	3.7	2.5
5982	Int Group	75	0	3.7	2.5
19104	Int Group (Amuse)	92	+1	3.4	3.7
13750	Record Holdings (SE)	245	-5	7.5	3.1
2916	Record Hlps 10% Prt (SE)	108	0	2.7	4.9
521	Robert Jenkins	54	-1	0	14.1
5580	Scruttons	54	-1	0	2.4
5767	Taylor & Carlisle	124	0	5.5	4.4
2883	Travel Holdings (USM)	203	+1	6.4	3.2
10200	Unback Holdings (SE)	51	+2	2.8	5.4
45320	Waterboard (SE)	165	-4	5.9	3.6
4738	W. S. Watts	203	-1	17.4	8.6
4240	West Yorks Lpt. Hosp (USM)	120	0	5.5	4.6

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# Which way are hemlines going to go?



ANTHONY HARRIS in Washington

THE OLD YEAR is going out in confusion on this side of the Atlantic.

Policy over the dollar is in a mess, with both the experts and the politicians taking unexpected sides. The Democratic race is becoming a farce, which is not a subject for this column, so is the bargaining over the Budget com-

promise, a joke too grim for the present season. And women are confused: are skirts going up or down?

This is actually a statistically important fact: women's clothing seems at the moment to be the only weak sector in an otherwise pretty strong retail market. But how long can this strength last? The indicators say the economy is still picking up, but all the forecasters are gloomy.

Still odder to these English eyes is the fact that the monetarists are more worried about recession than anyone else, and are leaving it to the students of the real economy to worry about inflation. It is as if, in the first Thatcher session, the 304 Keynesians had urged to squeeze harder, while Mr Gordon Pepper preached a dash for growth. A majority of the intellectual class in Cabinet debates has odder as being an international fiscal right-about-wheel, and everyone had better keep in step. The hard

monetarists want more devaluation.

Which brings us to the debate within the Administration. Treasury Secretary James Baker has been accused of talking the dollar down. His advisers have persuaded him to change sides, it seems, both because they fear inflation and because the policy has now produced visible results in Japan - among them, a new reluctance to buy dollar assets when so much looks attractive at home. This adds to the pressure on the dollar, and Mr Baker seems to feel he needs help. He gets it from the White House.

The Chicago school is the Cabinet's other view. Mr Beryl Sprinkel is so keen to leave things to the market that he is blamed for every leak of a talk-the-dollar-down kind. In Cabinet debates he is now thought to have the heavyweight support of the Secretary of State, another Chicago graduate. Mr George

Shultz must have vivid memories of his bruising encounter with Mr Helmut Schmidt when they were financial opposite numbers during the Nixon dollar crisis, and it would only be natural if he now got a little enjoyable schadenfreude from Governor's discomfiture over the falling dollar.

From the outside, the whole argument looks a great deal too theoretical. It is as if the policy designers knew very little about current political realities, while the market enthusiasts had forgotten how heartless market adjustments can be. Inflation and bankruptcy are market mechanisms, and highly effective too, as most Latin Americans can witness. But not optimal.

So long as neither school wins outright, achieving a dollar crash, or another largely meaningless international communique, there seem to be two possible routes to a tolerable adjustment - and fortunately we can

stagger along with one leg on each path.

One is another crashette, had enough to frighten the politicians into some serious policy-making. This is not without precedent even in an election year. It seems likelier to start in the bond market than in equities this time, because producer prices are beginning to rise ominously, and overtime is making wages and salaries along at a British rate.

The other possibility is a trade recovery strong enough to restore some market confidence in the dollar. Those who think that sounds like a Christmas fantasy should have a look at the unseasonable table attached to this column. Our occasional contributor David Hale has been hovering among the volume numbers, and they are suggestive.

Capital goods account for only just over a fifth of total US imports, but for more than

half the volume increase over the last year. This point has been missed because capital goods prices have not been rising like other import prices - the lead times involved are much longer. This is not another example of falling US competitiveness - exports of capital goods have been growing even faster. It suggests that industry in the US - led, no doubt, by foreign-owned industry - is gearing up for higher exports, or at least import substitution.

Oil rigs had much the same effect on the British trade figures in 1976, before they started producing oil. And even apart from that, the other volume figures do not suggest an import boom. With a stable dollar (perhaps), and with President Reagan's back with oil prices, the trade news could improve quite soon.

So perhaps this is a Christmas column after all.

US TRADE IN REAL TERMS (\$ bn 1982 prices, first three quarters)			
	1986	1987	% gain
Total imports	1245.1	1312.7	5.4
Cap goods imports	275.5	311.4	12.9
Consumer goods	226.1	228.8	1.2
Motor ind.	197.9	202.5	2.3
Oil	218.6	229.1	4.8
Indust. supplies	216.0	217.1	0.5
THIRD QUARTER ONLY (Figures in brackets: percentage increase 9 months/9 months, 1986-87)			
Capital goods	Up 15.8%	(+12.9)	
Consumer goods	Up 0.5%	(+1.2)	
Motor ind.	Down 2.6%	(-4.1)	
Oil	Up 0.9%	(+4.8)	
Industrial supplies	Down 2.4%	(-0.5)	
Capital goods account for 22% of the real value of the increase in imports over the first 3 quarters in annual terms, but more than 53% in real terms.			
US EXPORTS (In constant 1982 \$ - first 9 months)			
	1986	1987	% gain
Agricultural	93.3	105.5	13.0
All other	651.3	714.9	9.8
Among which:			
Capital goods	278.4	317.2	13.9
Ind. materials	186.9	208.4	11.5

## INTERVIEW

# Minister for showbiz

### Ying Ruocheng, China's top film actor and Vice-Minister for Culture, interviewed in Peking

YING RUOCHENG is a chain-smoking, gravelly-voiced film star. His latest film, due for international release shortly, is Bertolucci's *The Last Emperor* with Peter O'Toole. But when he is not under the arc lights he remains in the spotlight in China where his job as Vice-Minister of Culture puts him in the midst of the debate about artistic freedom and the role of art and literature in a Communist society.

It is difficult to overstate the sensitivity of his position as artist turned cadre. The privations of intellectuals, especially writers, in the Soviet Union are universally understood thanks to Sakharov, Solzhenitsyn, the Mandelstams *et al*. But the desperate plight of their Chinese counterparts, humiliated, banished and persecuted in physically and mentally degrading conditions, has been less graphically documented in the West.

"We are now enjoying the beginnings of a period of creative freedom. I think our writers are going to produce more interesting things. Usually controversial things are interesting. A film, opera or play which arouses no controversy at all is usually very dull. That has been true in my lifetime," he says.

Chatting in a room in the part of the Culture Ministry that was once the home of Cai Yuanpei, who was one of China's foremost intellectuals and Chancellor of Peking University in the early part of this century, Ying looks urbane and sounds plausible. Dressed in the same sort of faded cord, tweed jacket and smart crew-necked sweater sported by Wang Meng, the writer who is Culture Minister, he looks decidedly Western, a style enhanced by impeccable and idiomatic English.

But his confidence that liberal times have arrived for the much-oppressed and intimidated artistic community still seems not always justified. Few people have been stripped of their party membership this year, but those few include writers, journalists and at least one playwright.

One problem that the political line keeps shifting. One week an adventurous book will be published; the next week it more prosaic work will be banned.

Another sign of continuing interference is the fact that the Golden Rooster awards - China's Oscars - have been put on indefinite hold. They should have been handed out six months ago but senior party officials regard two of the top three nominations as too sympathetic to the nationalistic Chinese. The third film is alleged to be "anti-party".

Yet Ying is determined that things should improve. "We must have creative freedom. A writer is only at his best when he writes what he wants to write and what he feels strongly about. We should not interfere with creative art. We can criticise but we have no right to ban a play, suppress something or artificially promote a certain style. We have done all that in the past and we are not going to repeat those mistakes. The party must stay out of the way of culture for the sake of creativity," he says.

But the party cadre's propensity to meddle has been cultivated over many years. Film endings have been rewritten for ideological reasons. We discuss a recent harmless play in Shanghai to which cultural cadres had forced changes. "That was wrong. We should not be doing that any more. But the further you get from Peking the worse the interference. And there is an

artistic dimension to the problem, too, because the lower the status of the theatre group the more willingly they accede to interference. They should resist. But I am sure that if you persist, the message will finally get across. We are trying."

But is artistic licence compatible with the central ideology? The role of art and literature in a Communist country has always been a problem. Mao Zedong argued that art's function was to serve Socialism and that adding "more flowers on the brocade of Chinese culture" was a waste. Mao's ideas were conceived during decades of struggle, revolution and war. He used to say: "China has two armies, one military, one literary."

"As a figure of speech in wartime that is OK. But once we had united China we should have had a change of mentality. Unfortunately we did not change in time. A lot was said based on the wartime model and unfortunately we were heavily influenced by the Soviet interpretation of the role of literature and arts."

"More unfortunate was the undesirable role we eventually threw off the Russian influence by posing as being to the left of the USSR on every single issue. This included outlawing the Soviets on repression of artistic freedom." They punished a Bohemian writer so China punished a Bohemian writer.

But that destructive period is over. "You simply cannot have Big Brother standing over you when you are writing a novel," Ying declares. "The modernist debate now centres on whether art can serve socialism by entertaining the masses and when creativity becomes heresy."

"The law and not the party should be the benchmark. It is not up to us to decide what is obscene. Subversion, too, has to

be governed by law and not left to a cadre. Public opinion is also important and we are trying to encourage criticism and counter-criticism for their own sake rather than with a political background. So we will have controversy, but it should be constructive rather than dangerous."

Ying warms to his theme, enjoying the debate enormously and colouring his conversation with his acting skills, using the full range of vocal tones and some debate. But since that day that play has never once been criticised again.

Ying cited as proof that things are improving the survival of the arts community during the backlash against bourgeois liberalism earlier this year. "Some people were stunned by the student protests and the resignation of Hu Yaobang [as party general secretary]. But very few stopped what they were doing or changed course. This is quite different from the mentality during and just after the Cultural Revolution when the atmosphere made it impossible for artists and writers to continue working. Hu was responsible for changing that and he did very well. Writers and artists remember him to this day as a benevolent influence. He said these people should be protected, not persecuted. Ying obviously admired Hu greatly and is reflecting his own emotions when he says: "The artistic community was dismayed about the fall of Hu and were worried. But the difference from earlier years is there was not undue fear."

However, his next anecdote suggests otherwise. As soon as Hu fell and it was clear that the conservatives were again getting into their stride, Ying sent scouts to all the major theatres to inquire about their next productions. "They had all changed their plans. All felt that as we could not see the way forward clearly it would be safer not to put on any Chinese plays in case they turned out to be the 'wrong ones'."

Instead, a raft of foreign plays went into instant rehearsal - Max Frisch's *Fire Raisers*, Thom-

son Wilder's *Our Town*, a Shakespeare, a Russian play. "So, as the result of the anti-Westernism of the theatre," chortled Ying. But did not that suggest endemic fear. "No. No. Just caution - but this phase passed very quickly."

One of Ying's great successes was as Willy Loman in the Chinese version of Arthur Miller's

Death of a Salesman. "The strength of that play lies with the dream rather than salesman-ship, a dream which is not only personal but a belief in something which was shattered. The theme will always be true. My children tell me I am exactly like Willy Loman. That is because of the Cultural Revolution. People of my generation wasted the best part of their lives and when it

was over they were too old to pursue their dreams. So we try to impose our dreams on our children. But our dream was based on having escaped 100 years of national humiliation. Our children do not have that sense of humiliation and so do not have the same dream. Parents press them to work hard, not to be lazybones and tell them what they would have done if they had had their chance. It becomes intolerable. Children will not accept the imposition of a dream."

In China, as everywhere, the educated younger generation is the driving force for intellectual freedom. China is making greater efforts than many advanced countries to get Western and Third World literature translated. This includes some wasted effort in my view. For example, Agatha Christie books are number one here because of the popularity of the film *Murder on the Nile*. But we have translated Freud in full and Kafka in full. But censorship remains. The Chinese version of *Lady Chatterley's Lover* is still banned. "Not at all. I recently saw my son reading it," says Ying.

Shortly after the interview the Chinese press carried more stories about the continuing ban on the book with a report that a large quantity of copies had been seized and pulped, underlining once again the divergence of ministerial policy and bureaucratic power.

Interviewed by Robin Pauley, Colina MacDougall, Robert Thomson and Steven Butler.



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# RAMSES HILTON



## A new look for the New Year

THE CLOSURE of court proceedings for 1987 comes today in the midst of a flurry of legal activity that will spill over into 1988. The face of the legal system is changing daily before our very eyes.

First and foremost there is the projected transfer of the legal aid scheme from professional administration in the shape of the Law Society to a Legal Aid Board which will be composed of governmental nominees, of whom only a minority will be legally qualified. The Scottish equivalent, which has already been established, is headed by an accountant.

things. The legal profession has faithfully fulfilled the approach made to a pressing social problem, of making funds available to those who are unable to afford it out of their own pockets. If the public interest has been well served by the legal profession, there is little doubt that the contemporary legal aid bill for legal aid calls for more direct governmental control. The only lay element in the operation of the scheme has been the Lord Chancellor's Advisory Committee which, through its annual reports, has not only supported the constraints imposed by government and has indeed been a critic. The danger that will come from de-professionalising the legal aid scheme is that the criteria for supporting legal aid and, even more so, legal advice will be financial rather than social.

A less dramatic but more obvious change in the legal system has been the appointment last week of the first woman to the Court of Appeal, although female High Court judges have sat from time to time in that court. Hitherto the English legal system has been slow to accommodate itself to the justifiable claims of female lawyers to judicial preference. Mrs Justice Butler-Sloss, who has been conducting the Cleveland Inquiry into the handling of child abuse. For the

last five months and will be absent from her appeal court duties for the next five months while she writes a report on the subject, is reported as saying that she wishes to modify her title as a Lord Justice of Appeal. Unfortunately Parliament has in this respect not shown itself in a perspicacious mood. Section (3) of the Supreme Court Act 1981 provides that the ordinary judges of the Court of Appeal - the extraordinary include the Master of the Rolls and the heads of the three divisions of the Supreme Court, Chancery, Queen's Bench and Family divisions - must be styled "Lords Justices of Appeal". Hence Dame Elizabeth Butler-Sloss must be styled Lord Justice or obscurely to lawyers as "Butler-Sloss, J.L.". There is no room for a title such as Dame Justice or Lady Justice.

The remedy lies in a swift legislative amendment to the 1981 Act. All judges of the High Court should be called simply "Justices" without the masculine or feminine prefix of Mr or Mrs. After all, Sandra Day O'Connor of the US Supreme Court is known as Justice O'Connor, along with her fellow Justices. Court of Appeal judges in England would simply be Justices of Appeal, while JA after their names, which leaves the Master of the Rolls as the last remnant of male judicial chau-

vinism. At one time it was rumoured that a new president of the Family Division, in succession to Sir John Arnold who is retiring, would be a woman. Instead it is to be Lord Justice Stephen Brown who is one of the three judges currently labouring over the Court of Appeal's judgment in the case of the Birmingham Six, whose case has been referred by the Home Secretary. His was a surprise choice, thought to reflect the veto by the Prime Minister over one or more other likely candidates for the job.

The independence of the judiciary from governmental influence may be judged publicly when this morning Mr Justice Scott delivers judgment in the latest step in the Spycatcher case. The Attorney General is seeking perpetual injunctions against the Guardian, the Observer and the Sunday Times from making any reference in their newspapers to the contents of the book written by a former MI5 officer. Even if the case is going on appeal - in anticipation, the Court of Appeal has already fixed January 18 for the hearing of the appeal - the decision of the court of first instance will be a powerful persuader to appellate judges. Justice would seem to dictate victory for the Guardian and the Observer, who seek only to comment on and

review the book, while The Sunday Times, which is poised to announce that it will refer Spycatcher for its own publication, should lose. But logic defies any such distinction. All three or none of them should win or lose.

A dilemma awaits another Chancery judge if and when the two inspectors investigating leaks from governmental departments of price-sensitive information take the financial journalist, Mr Jeremy Warner, back to court for refusing to reveal his source of information revealed in press articles. The House of Lords recently gave the go-ahead to the two inspectors, by holding that the refusal by Mr Warner to reveal his source was not reasonable. In pursuit of detection of insider-dealing, the two inspectors may feel that the disclosure by journalists of their sources of information is peripheral to their main purpose.

The focused interest on the new crime of insider-dealing is heightened by a provision in the Criminal Justice Bill which has just passed through the House of Lords on its way to the Commons. Clause 45 on the bill increased the maximum penalty for the offence from two years imprisonment to seven years. The only apparent basis for selecting the latter number is its biblical symbol of completion or perfection, appropriate no doubt at Christmas time.

12 MANAGEMENT

# The tricky task of tickling taste-buds

Lisa Wood on the strategy devised by the UK-based Rowntree aimed at satisfying the Continental palate for confectionery

NEARLY 20 years ago Rowntree, the York-based confectioner, faced with little volume growth in its traditional markets - the UK and the White Dominions - had the option of expanding either into the US or Continental Europe.

It plumped for the Continent. Rowntree believed that the confectionery industry there was more fragmented and the opportunities for growth were probably greater than in the sophisticated US sector.

"The task was enormous, and one which few British food companies have attempted," says Gordon Neal, deputy chairman of Rowntree's European region, which excludes the UK. "If we had known then what we know now we might not have attempted it. The pay-back might not have been acceptable."

The group, which subsequently also entered the US confectionery and food retailing market, has now built strong Continental sales of its brands, which include Lion chocolate bars, Polo mints, After Eight chocolates and Quality Street mixed sweets.

Rowntree now claims an estimated 8 per cent of chocolate confectionery sales in its six major Continental markets. But margins are still much lower than in Britain and profit growth has been bumpy.

However, there is growing evidence that Rowntree may have got its European operation right; last year's trading profits were \$7.8m (\$3.4m in 1985) on turnover of \$284.7m (\$238m in 1985). The UK region in 1986, in comparison, made a trading profit of \$47.9m on sales of \$512.6m.

The European region, with its headquarters in Paris since 1985, takes in manufacturing plants in West Germany, France and the Netherlands, with distribution companies in Italy, Belgium, Spain and Sweden.

Exports from Rowntree's UK plants to the Continent started to build up in the early 1970s. However, the volatility of sterling during the decade encouraged Rowntree to seek to source products on the Continent rather than export them from its UK factories. "In the area of fast moving consumer goods you cannot adjust pricing to costs on

short term currency changes," says Neal.

European capacity was brought on stream quickly through acquisitions and capital spend on new plant. In France, for example, Ilied and Menier, both strong local producers of chocolate, entered the Rowntree fold; while in 1977 Lanvin, with a plant in Dijon, was acquired. "At the time," says Neal, "there was a strong belief (among the Board) that expansion would be very rapid. There was a great willingness to invest in plant and equipment."

The master plan was to advance several Rowntree brands on as wide a front as possible. The challenge, also taken up by competitors such as

plant, built in the 1970s, which is still not working at full capacity.

The lessons learnt were to make a much closer examination of local markets, and to focus on a number of key brands. This task has been eased by changes in the marketplace, with Europeans adopting the snacking habits of America and Britain.

Rowntree now believes it has established a successful formula for focusing marketing effort on specific brands for a national market. It is currently applying such a strategy to West Germany, where growth in brand sales has been more problematic than France, and on the Spanish market, where it has recently set up its own distribution company.

The company says its growing confidence in this area is partly a product of time spent on the establishment of local management teams who combine a knowledge of their national market with an understanding of group strategy. Neal says: "In the early days we did not know if we were hiring the right local people. All the signs by which you judge people in the UK - accents, education and previous employment - were different."

Jean Guerin, an astute 51 year-old Frenchman, is the chairman of the European region. This was created as a specific entity in 1985 when Rowntree regrouped all the company's activities into four separate geographic regions. Previously the European activities were directed by a divisional board based in York.

Guerin, who joined Rowntree in 1971, says that basing the European operations in Paris was a critical step in the operation's development as was his appointment to the Rowntree board. "Continental Europe is now directed by Europeans, rather than a group of people in York," he says.

Guerin talks much about "Europeans." He says: "There is a feeling among Continental European managers that the EC exists." He has reached this view by travelling widely in Europe and listening to his own managers, he expresses dismay that it is a feeling not shared by most UK companies.

His senior managers are drawn from several national back-

grounds. Some are British but most have worked on the Continent for several years and think like Europeans, according to Guerin. "We move our senior people around a lot," he says, "so that we have a group of 25 or so who have a knowledge of several countries and speak three or four languages."

English is the official language in the European region, not, insists Guerin, because Rowntree is British but because it is a common language.

When it makes an acquisition, Rowntree tends to retain the existing management. However, says Guerin, "One of the first things we do with a new company is to implement our reporting systems to make sure we are also using the same jargon. So we tend to put one of our own employees in place as finance director."

A sophisticated financial reporting system was introduced in the early 1980s in Europe because of the nature of the production arrangements.

This was because, in addition to making locally sold brands, individual factories concentrate on selected Rowntree brands which are then marketed in other countries. For example, all the Continental requirements for Kit Kat are made in Hamburg, similarly Quality Street in Dijon and Lion Bar in Paris.

However, this system threw up problems. If, for example, the Italian company made a major effort to sell Kit Kat, made by the Hamburg factory, most of the "financial credit" went to the German company. This system, says Rowntree, distorted the true picture of national effort.

In addition, national companies importing products from factories in other countries were tempted to increase prices so as to boost margins and thus their

own results. Such local initiatives - a case in point was the launch of the Lion bar in West Germany in 1981 - could jeopardise sales in those markets.

"It is something which could not happen now," says Guerin. "In order to give credit to those national businesses making major marketing efforts, a system now allocates the profit margin according to the volume of advertising agencies."

"We do not say to local management that they have to take a common advertisement but there is more central control from headquarters with local adaptation if necessary," says Neal.

Building European markets is not just a matter of consumer advertising. While a large percentage of UK confectionery trade goes through the fragmented confectionery, tobacco and newspaper chains, in much of the rest of Europe the major grocers have a much bigger slice of the business.

Neal says: "In the UK you can have more of a 'pull' sales strategy - that is, getting consumers to go into a local shop and demand a particular sweet."

"However, on the Continent you have to take more account of marketing to the trade. This means you have to have a different sales policy. Of course, this does not apply to all the European markets. In Italy, for example, the grocery trade is still very fragmented."

In discussing Continental operations, the European division constantly refers to the benefits it perceives from having headquarters in Paris and a team which sees itself as European.

It is a sentiment endorsed by group management in York. Nicholas Nightingale, a member of the Rowntree board, says: "We in York have in the past sometimes misunderstood the complexity of operating on the Continent. But now we do not have a team in England interpreting what is going on there. The message comes direct."

Previous articles in this series appeared on October 14, 21, 29, November 2, 15, 18, 25, Dec 2, 7, and 16.

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Mars, was to convert Continental consumers from block chocolate bars and low cost sugar confectionery to more expensive snack-like brands.

Problems were legion. First there was naive optimism over changing consumer eating habits - a challenge which Rowntree says was more difficult than fighting the local competition.

"We had simply not taken account of the fact that the sugar confectionery market there was for cheaper, simpler products. After nine months we gave up. We either did not have the money or the courage to go on."

In addition, the broad-brush approach, with a dilution of total marketing spend on a wide range of products, increased total sales but reduced margins. "Concentration of marketing resources on a smaller number of brands takes courage," says Neal.

One outcome has been a couple of monuments to the York management's over-optimism, including the Hamburg Kit Kat



Jean Guerin "Continental Europe is now directed by Europeans"

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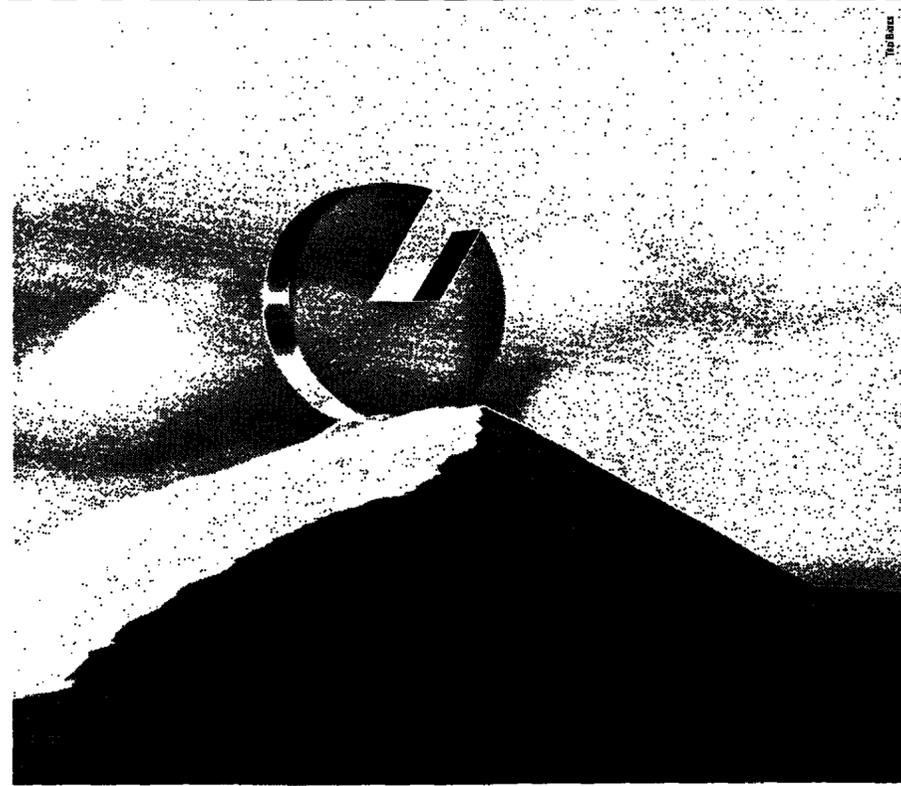
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## Management abstracts

- Expatriate selection and orientation.** R J Stone in *Human Resource Management (Australia)*, Aug 86 (4 pages)
- Looks at the stresses likely to arise for employees and families when transferred overseas; covers sex, age, education, hobbies, religion, marital stability, health, personality, languages and culture shock. Its focus is on problems specific to countries in South-East Asia and the Far East.
- Introducing computer-aided design into a small company.** P W Prickett in *IEE Proceedings - Part A (UK)*, Jul 87 (4 1/2 pages)
- Describes how an anonymous small company, engaged in the design/manufacture of gaming and amusement machines, introduced a CAD system; outlines company background, and the motivation behind the acquisition, principally to simplify the layout drawings and final artwork involved in printed-circuit board design. Details the criteria for equipment selection and how benchmark testing of the chosen system was used to confirm selection. Claims that it is achievable they could return to the previous method.
- Dealing with drink.** C Twomey in *ES Industrial Society Magazine (UK)*, June 87 (3 pages)
- Explores the failure of the vast majority (over 95%) of the UK companies to pursue positive alcohol policies for their workforces despite adverse effects of alcohol misuse on industrial efficiency and productivity. Shows how it can be done, and describes the programme offering help, advice and training for company staff who would administer such a policy, run at Gisborne Park in Lancashire, a private medical treatment centre which also offers treatment for alcohol dependency.
- Changing an organisation.** B Thompson-McCausland in *Industrial and Commercial Training (UK)*, May/June 87 (8 pages)
- A recent chief executive of London Life (insurance) recounts how, after his appointment in 1981, he sought to discover from walkabouts, questionnaires to staff, and management briefings where the main problems lay and "to wake up the company and give it a sense of purpose". Rates his success as only partial until the launching, 18 months later, of a two-year programme of monthly seminars and workshops, initially for head-office management then for field offices and sales staff, covering a vast array of topics from corporate structure to creative thinking. Assesses the benefits which are seen mainly in
- terms of released energy, confidence and cohesiveness among participants.
- Premises-related costs.** *Facilities (UK)*, May 87 (5 pages)
- Outlines the approach taken by a "leading UK financial services organisation" to the setting, monitoring and control of premises-related costs for its head office group and 130 sales branch offices; outlines the organisation of its premises and office services department, its monthly reporting schedule, and a sample of budget checkpoints, describes the budget-setting procedure and how it is monitored and controlled.
- The potential for internationalisation of Japanese management.** *Management Japan (Japan)*, Spring 87 (3 pages)
- Briefly discusses the conclusions and recommendations of a report by the International Management Association of Japan to what extent the managerial resources of Japanese corporations have been applied to their foreign subsidiaries. Classifies these as negative (those not acceptable to the local environment) and positive (which can be assimilated). Puts forward an action programme for encouraging the transfer of positive resources, including such steps as language training, discussion of local problems, and encouraging delegation of authority to subsidiary managers.
- Reducing turnover of new hires.** A J Buonocore in *Management Solutions (US)*, June 87 (6 pages)
- Points the finger at those companies which work hard at attracting new professional employees, and then virtually ignore them for the first critical months of their employment - forcing them to feel confused and helpless, and to end up resigning. Argues that this can be avoided if a policy of mentoring is adopted to smooth assimilation into the organisation's culture. Discusses how to identify suitable mentors, and the main elements of the mentoring task.
- Strategy consulting - a shooting star?** A Fyfe & C Lumsden in *Long Range Planning (UK)*, June 87 (12 pages)
- Analyses the principal contributors in the UK strategy consulting industry drawn from the academic community, the business sector, and management consulting firms, and explores the relationship between consultants and their clients. Offers guidelines to managers contemplating the use of consultants in order to get the most out of the relationship.



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**Company Notices**

**THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED**  
Registration Number 01/00251/06

**ELSBURG GOLD MINING COMPANY LIMITED**  
Registration Number 65/10726/08

**WESTERN AREAS GOLD MINING COMPANY LIMITED**  
Registration Number 59/03209/06

All Companies Registered in the Republic of South Africa

**1. THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED**  
INTERIM DIVIDEND

An interim dividend, dividend number 105, of 300 cents per share has been declared in respect of the financial year ending 30 June 1988.

Last date for registration: 8 January 1988  
Registers close (dates inclusive) from: 9 January 1988 to: 15 January 1988

Currency conversion date (for payments from London): 18 January 1988  
Date of payment: 2 February 1988

This dividend is payable subject to the customary conditions which may be inspected at or obtained from the company's Johannesburg Office or from the London Secretaries, Barnard Brothers Limited, 99 Bishopsgate, London EC2M 3XE.

Holders of share warrants to bearer should attend to the terms of a notice to be published by the London Secretaries late in January 1988.

**2. WESTERN AREAS GOLD MINING COMPANY LIMITED and ELSBURG GOLD MINING COMPANY LIMITED**  
NOTICE TO SHAREHOLDERS

The Boards have decided to pass the dividend for the first half of the current financial year:

By Order of the Boards  
per M. M. DE ALBUQUERQUE

Head Office and Registered Office:  
Consolidated Bureau of Securities  
Fox and Harrison Streets  
Johannesburg 2001.  
P.O. Box 560, Johannesburg

18 December 1987

**Company Notices**

**THE "SHELL" TRANSPORT AND TRADING COMPANY, plc**

Notice is hereby given that a balance of 500,000 shares will be struck on Thursday 21st January 1988 for the preparation of the half-yearly dividend payable on the SECOND PREFERENCE SHARES, for the six months ending 31st January, 1988. The dividend will be paid on 1st February, 1988.

For Transferees to receive this dividend, their transferees must be lodged with the Company's Registrar, Lloyds Bank plc, Registrar's Department, Coningsby Place, Worthing, Sussex BN1 2DA, not later than 3.00 p.m. on Thursday, 7th January, 1988.

By Order of the Board  
S.M. RIPLEY  
ASSISTANT SECRETARY  
Shell Centre,  
London, SE1 7NA  
21st December, 1987

**CANADIAN PACIFIC LIMITED**

At a meeting of the Board of Directors held today, the following dividends were declared:

**ORDINARY SHARES**  
A final quarterly dividend of fifteen cents (15c) Canadian Dollar Preference Share and Ordinary Shares in respect of the year 1987, payable on January 29, 1988, to holders of record at the close of business on December 24, 1987.

**PREFERENCE SHARES**  
A final semi-annual dividend of 0.02 dollars per Canadian Dollar Preference Share and 20c per cent per Sterling Preference Share on the Outstanding Preference Shares in respect of the year 1987, payable on January 29, 1988, to holders of record at the close of business on December 24, 1987.

By Order of the Board,  
D.J. DEEGAN  
VICE-PRESIDENT AND SECRETARY  
MONTREAL, December 14, 1987.

**Company Notices**

**KOMMUNALANWEISSTILLET AKTIEBOLAG**  
7 1/2% 1976/1993 UA 12.000.000

On December 7, 1987, Bonds for the amount of UA 12.000.000 have been drawn for redemption in agreement with the terms of the prospectus issued on January 23, 1987 and the terms of the prospectus issued on February 19, 1987. The Bonds are listed in the table below. The Bonds are listed in the table below. The Bonds are listed in the table below.

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120 1/16384 and	120	120
120 1/32768 and	120	120
120 1/65536 and	120	120
120 1/131072 and	120	120
120 1/262144 and	120	120
120 1/524288 and	120	120
120 1/1048576 and	120	120
120 1/2097152 and	120	120
120 1/4194304 and	120	120
120 1/8388608 and	120	120
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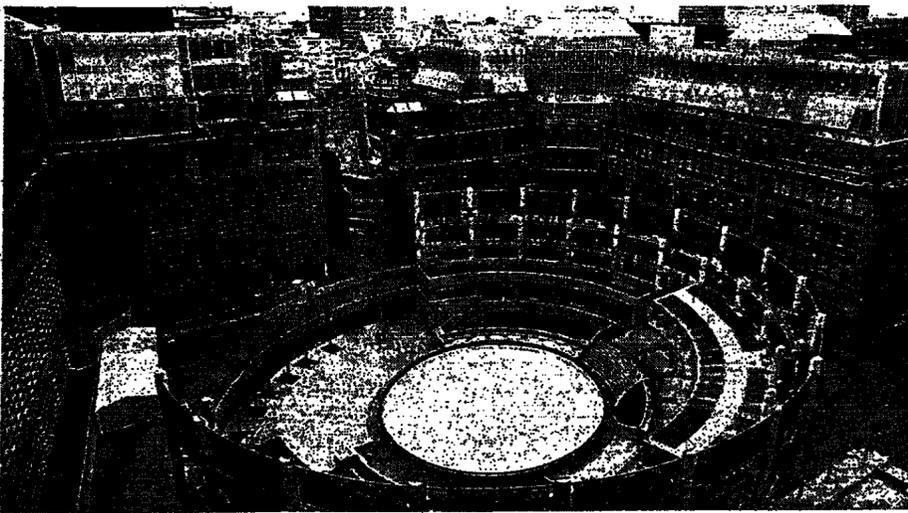
ARTS

Handwritten note: "لا تتركها"

Cinderella/Covent Garden

Clement Crisp

On Saturday night Cinderella gave the impression of having been decently embalmed at the Opera House. There lay Ashton's ballet, smiling faintly, and dead. It was all very proper, and many of the audience may not have noticed that the loved one had passed away. But for some of us old Cinderella hands the absence of emotional and musical life in the performance was distressing.



The Broadgate Development Architecture/Colin Amery

Born again on Broad Street

It all began with "Dancing cheek to cheek." As the Prince of Wales cut the red ribbon at the entrance to the outdoor skating rink, the band struck up, and the rain fell down and Torvill and Dean whirled on to the ice.

The scale of the development is undeniably impressive and the addition of new public spaces must be welcome. But architecturally, what does Broadgate bring to London? Arup Associates have designed a series of office buildings that have become a recognisable building type, and Broadgate is the latest of this breed.

The Central Square is the major feature that marks out this development as something special. The ice rink, which will be paved over in the summer, is surrounded by a circular double row of columns that support, like shelves, some terraces and a restaurant.

The later phases, by Skidmore Owings and Merrill, look less rigid than the Arup scheme. A rich use of materials - including sculptural niches on Bishopgate - and a varied skyline promise an architectural richness that is much needed.

Cinderella/Crucible, Sheffield

B.A. Young

To be honest, it hardly matters which classic pantomime tale they use at the Crucible, for the stars are the kids in the audience. They are adept at picking up every hint from the stage, and they shout louder and more readily than any kids I have ever encountered.

middle-aged and bespectacled, concerned only with entertaining the kids in the audience. Indeed I am prepared to bet no adverse spirit, that there is little acting involved in the production at all, except perhaps for Meg Johnson as the fairy godmother. Once the director, Mike Kay, has established that all the funnies must spend half their time on their backs, why try anything more subtle?

The ugly sisters are both men. Fingeline Fontayne and Bob McCullery, but one of the best of the men is a girl, Alex Lonsdale, with a ginger fright wig and a vast mallet for knocking her colleague, Dave Warburton, on to his back.

Buttons has most of the comedy. He is played by Bobby Knuts, who has become as regular as the Crucible's egg and snooker. He treats the children like a universal uncle and has a talent for persuading titles on the stage to do acts of their own.

Because we must is for the reasonably young - but absolutely not for children - who are still innocent enough to react to Clark's astute realisation that vicarious rudery and what looks to me like vicarious choreography are an irresistible mixture.

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Because We Must/Sadler's Wells

Clement Crisp

How thoughtful, how fitting, that Sadler's Wells should mark Advent and the period of the Nativity with a programme both vulgar and obscene. The least of the management's grubby jobs is to remove the portrait of Lilian Baylis from the theatre's coffee room. Miss Baylis, a woman of profound Christian belief, made the present building and its audience possible, and the whining noise that I heard through some of the din of the Michael Clark show that opened on Thursday was probably "The Lady" spinning like a lathe in her earthly resting place.

to four repetitions of the National Anthem. Chase supervenes, until the arrival of Festival Ballet's setting for the second act of La Sylphide, when the dancers, led by Mr Clark, are deployed in some agreeable ensembles. And then, because of La Sylphide's Highland location, a Pipe-Major joins the fray, and Mr Clark reminds us of his skill in Scottish dancing, and later in some positively Scourgevillian steps, of just what beautiful feet and dazzling technique he can display.

When an elderly gentleman of blameless character refers to his flute-playing as "my only vice," you know he is in for trouble. If he is a Pinner character you can guess that his wife will be responsible: a spirited fifty-boiling into indiscretion before skeletons are extracted from cupboards to be respectably mounted along with the hunting trophies.

The play is full of echoes and anticipations of other writers. There is a Gilbertian, even Shavian, vein of paradox. A bossy dowager (Dilys Hamlett, the image of the Empress Frederick) momentarily evokes Lady Bracknell, and a much later master is forced by her messengers to introduce them into high - well, Scottish baronial - society.

For modern tastes the snobbery that derides Mrs Gayluster (half a lady; the other half a dressmaker) is embarrassing. The director Braham Murray recently had some trouble with Jewish opinion over the support of a play. I find the sort of climbing frame to be a very puzzling element in the scheme; it may make a steady arbour in the summer but at the moment it feels like a strangely arbitrary interruption of the space.

The Cabinet Minister/Manchester

Martin Hoyle

Dickensian caricatures, notably the mother-dominated Laird of Ballochlevin, a bearded booby; the young couple who quarrel over the career of their six-month-old baby (pothole in the army); and the society-hating noble savage, Kitty's nephew, who reproaches his cousin for forgetting her marbles (literally, that is) and turning from a romping tom-boy into a debutante.

The comedy never quite ignites. The production style seems too heavy: are late Victorian aristos such an extraneous conception that they can only be proquestest Where actors can draw modern parallels, the humour hits the mark, as when a languid spendthrift casually proposes and is coolly accepted by an equally languid aristocrat.

Frank Thornton's ministerial husband suffers from the character's passivity: the ball is in his wife's court and Susan Flew-two works like a Trojan, ringing vocal variations unsuspected in the human larynx. Haydn Gwynne makes Mrs Gayluster into a vivid adventures. Ravishing costumes - between crinolines and the Edwardian hour-glass look, though an Art Nouveau jewel box is surely premature - by Terence Emery, and Johanna Bryant's sets in the round for conservatory and Caledonian Castle are wonderfully sumptuous. As yet the mood is bumpy. More relaxed and it should be fun.

You Never Can Tell

Michael Coveney.

The great question in Shaw's perennially entertaining comedy is not "How's it going?" but "Who's your father?" The reunion of the Clendon family with the peppery Scotsman who is remembered by his children only for the whip he took to them has an almost late Shakespearean elegiac quality about it.



Michael Hordern

Gypsy/Liverpool Playhouse

Martin Hoyle

Annie, Get Your Gun started the rest instead of ordinary wholesome kids deciding to do the show right here in the barn or small-town midwesterns dropping of hunger on 42nd Street before achieving stardom, a new national anthem for the Business Like Which There is No Other elevated its practitioners to the level of Delphic oracles, doomed romantics or early Christians, prone to feeling more deeply, suffering more profoundly, and giving more abundantly than Prometheus and Pandora combined.

Arts Guide

December 18-24

Music

TOKYO

NHK Symphony Orchestra (NHK Hall) Concerts by Klaus Tennstedt, Beethoven 9th. (Mon-Thur) (465 1780, 464 4880).

PARIS

Lausanne Chamber Orchestra (TNP-Chatelet). Lawrence Foster conducts, with Sorbonne's Paris University Choir conducted by Jacques Grimbert. Berlioz: L'Enfance du Christ (Mon) (45 84 44).

Netherlands Philharmonic (Tue), Utrecht (Vredenburg). Handel's Messiah with the choir of the Utrecht Oratorio Society and soloists, conducted by Johan van der Camp (Tue). The choir and baroque orchestra of the Utrecht Bach Society conducted by Ton Koopman in a programme of Bach Christmas cantatas (Wed). Recital Hall: Electronic concert with Karin Stahl, mezzo (Tue) (31 46 44).

NETHERLANDS

Amsterdam (Nieuwe Kerk, Dam Square). Bach's Christmas Oratorio with the Excelsior Choir and the

NEW YORK

Orchestra of St Luke's (Carnegie Hall). Blanche Boyce conducting. Benita Valente soprano and the Blanche Boyce Chorus. Bach (Mon) (247 7800).

WASHINGTON

Choral Arts Society of Washington (Concert Hall). Christmas programme (Tue). Kennedy Center (254 3716).

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# FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 4BY  
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Monday December 21 1987

## Not breaking the mould

THE BEST that could be said of Mr David Steel's decision to force the pace and seek a merger between the Liberals and the Social Democrats even before the results of the last general election had been fully analysed was that he wanted to get a new party in place to prepare to fight the next election as soon as possible.

Mr Steel has not yet been shown definitively to be wrong. The British political landscape in two or three years' time may look quite different from today and presumably that is the horizon at which he is gazing.

Yet what seems a precipitate, scarcely thought-out decision in June looks no less dubious in December. For a start, Mr Steel failed to take Dr David Owen, the SDP leader, into account when he was with him. It may be argued that Dr Owen was unduly churlish in opting out of the merger negotiations from the beginning rather than seeking to channel them into a more appropriate course, but it is water under the bridge. The facts remain that Dr Owen is a formidable political figure and is likely to keep control of a sizeable rump of the original Social Democratic Party.

If the new party is formed - and it is hard to see how its proponents can now easily go back to square one - it is almost bound to have leadership problems of its own. Mr Steel has still not made it clear whether he will stand, but must know as well as anyone that he is in danger of looking a bit tarnished. Mr Robert MacLennan, who has preceded over the merger talks for the SDP, is full of good intentions and intellectually able, but hardly sets the house on fire. There are others, like Mr Alan Beith, the deputy Liberal leader, who would make a stab at the job, but it should be remembered that we were supposed to be talking about a potential alternative government, not a variant on the old fringe Liberal Party.

**Common factor**  
Besides, it will not be forgotten that the Liberals under Mr Steel have made attempts at a political breakthrough before. There was the Lib-Lab pact of the late 1970s, then the Alliance with the Social Democrats. Now there is the proposed new party. A common factor of the earlier ventures was a tendency to end in tears. Even when the Alliance was riding high in the opinion polls, it was riddled by internal problems were not

## A door opens in Prague

THREE DAYS before Soviet tanks rolled into Czechoslovakia in August, 1968, and cut short the Prague Spring, Janos Kadar met Alexander Dubcek on the Czech-Hungarian border. The Hungarian leader, however, was the art of the possible, appears to have been trying to warn the doomed Czech leader of what might lie ahead.

As they parted, Dubcek later told a friend, Kadar asked peremptorily: "Do you really not know the kind of people you are dealing with?"  
The resignation last week of Gustav Husak, whom Moscow installed as Dubcek's successor in Prague, prompts the question: do East European leaders still have to deal with the same kind of people in Moscow once they have got past the Gorbachev's "nice smile"? And can his efforts to forge a more flexible relationship between Moscow and the rest of the Soviet empire, both within the Soviet Union and in Eastern Europe, prove more successful than Nikita Khrushchev's efforts in the 1950s to de-Stalinise the Eastern bloc?

**Power struggles**  
There is much sympathy in Eastern Europe for Gorbachev's argument that, taken too far, centralised control can lead to economic and political suffocation. But there is scant evidence of any groundswell of support for his drive for economic reform and more democracy.

The replacement of the Brezhnev generation by that of Gorbachev could provide an historic opportunity for change, if the process can be carried out without giving rise to crippling power struggles between reformers and conservatives.  
Husak, the first of the Warsaw Pact's five septuagenarian leaders to step aside, does appear to have avoided, or at least postponed, such struggles by installing the lacklustre Milos Jakes as his successor. Jakes is no reformer but his proficiency at swimming with the tide could prove useful both to his country and to Moscow in ensuring a smooth transition during a period of potentially destabilising change.

Loosening the reins of authority can be immensely disruptive unless it is done in a highly controlled way, with the limits of what is permissible clearly laid down. Mr Kadar's failure to set such limits led directly to the events of 1968 in Hungary and Poland. Brezhnev's failure to assert himself against the military and other, more shadowy forces, and to tell the Czechs what was expected of them ("it's your business," he told them on a famous occasion) led directly to the events of 1968.

**Real dilemma**  
Gorbachev, who insists that economic and social restructuring cannot take place without more democracy, and who has told the Eastern bloc countries that Moscow has no monopoly on truth and wisdom, faces a real dilemma. If he tightens the reins again at the first signs of trouble, his talk of openness and reconstruction will be exposed as a hollow sham. If he attempts a hands-off policy, he could well end up, like Khrushchev and Brezhnev before him, by sending in the tanks.

Yet he and his generation, both in Moscow and in the other eastern capitals, will not be satisfied with the rigid relationships between Communist parties and between party and society that characterised the Brezhnev era. Is a more flexible structure achievable? The example set by Kadar in Hungary and by the League of Communists in Yugoslavia suggests that it is, though neither presents a shining example of economic management. But to achieve such a fundamental change throughout the Eastern bloc would, paradoxically, require a very powerful presence at the helm in Moscow - whose strength and authority was so unquestioned that they would not have to be called into play, and whose confidence in himself and in his own support was sufficient to prevent a return to neo-Stalinism.  
Mr Gorbachev is not yet in such a position. But one day he could be, and meanwhile his presence is such that the neighbours have to take note.

Charles Leadbeater reports on the problems facing the NUM in the run-up to its presidential election

# Weighed down by disillusion

WHEN Woolley colliery closes this week for Christmas, it will close for good. But as the men willingly pack their bags, Woolley's most famous former miner, Arthur Scargill, president of the National Union of Mineworkers, will be preparing to renew his fight.

The men's acceptance of the pit's closure will not dent his confidence in the run-up to the January 22 ballot on the union's presidency. To him, it will be yet more evidence that the NUM should fully endorse his strategy of struggle to oppose the industry's contraction.  
In the 2½ years since the end of the 1984-85 strike, the union - beset by a more assertive management, pit closures, calls for the introduction of six-day production and the emergence of the breakaway Union of Democratic Mineworkers - has descended into a war with itself. This has produced a stalemate between Mr Scargill and his opponents on the union's national executive committee, which over the past 18 months has restrained his militancy. Will the election, in which Mr Scargill is opposed by John Walsh, a moderate, break that stalemate, put the union on a new course and, one way or another, bring it more success? Or will it merely be a reflection of its weakness in the face of intractable problems within the union, which themselves reflect

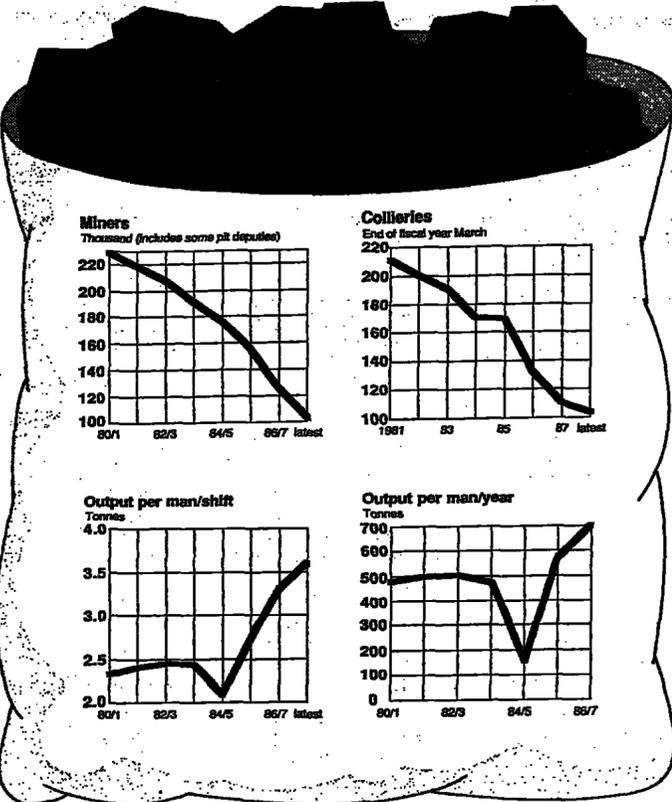
out compromise of principle, which his supporters say chimes with young miners' daily experience of harsher management since the strike.  
Mr Scargill does not encourage miners to vote for him just because they calculate he will be the best instrument to achieve their ends. He wants them to see him as the concentrated expression of their gut responses to the conflict-ridden world they inhabit.  
His critics object to several aspects of his account of the class struggle and his apparently central role within it. They believe that his self-righteousness, combined with an over-optimistic assessment of the effectiveness of industrial action, means that he maintains his principles at the expense of his members' interests.  
They maintain he is out of touch with a demoralised rank and file. As one of his key supporters in the North Yorkshire coalfield acknowledges: "If we had a vote on closure as it stands in the area, however profitable and secure, we would lose it. The men do not want to fight; they want to get out of the industry."  
Mr Scargill also has little to say to that pragmatic streak within miners, evident in the 60 per cent increase in productivity since the end of the strike, which just wants to turn up to work, earn the incentive bonus and go home.

These criticisms cohere into a single question: "What has Arthur achieved?" He says he has negotiated three wage agreements, cheap coal for members and their families and led the men on the ground what they want. It might be a matter of saving their jobs.  
Mr Butler fears that without a changed approach the union could fragment as areas pursue separate negotiations over incentive pay, flexible working and other issues. Mr Taylor points to a different worry: "One of the biggest problems is the union itself. Far larger outfits than the NUM have already merged with bigger unions."  
Indeed, Mr Scargill has started talks with the National Union of Railwaymen and Aslef, the train drivers' union, on forming a closer liaison.  
Over the past 18 months most of the criticisms have come from the non-Scargillite left within the union. Yet one of the most significant features of the election is that no one from this section is standing as a candidate.  
This partly reflects the local loyalties encouraged by the union's federal structure based

## The workforce is demoralised. For too long in this union we have thought that to predict a problem was to solve it

the industry's transformation and the strength of the British Coal management?  
It will be a test of whether Mr Scargill's appeal - a powerful cocktail of indignity, morality, revision at the mine, and defiant militancy - has endured the setbacks the union has suffered over the past four years.  
His belief in the inevitability of class struggle allowed him to force attacks on the union and the wave of pit closures, although others derided him at the time. One phrase echoes in his wake: "He has always been proven right."  
But, according to Mr Scargill, history also issues moral imperatives. He claims that the industry is littered with broken promises: the Government has reneged on investment plans, other unions have reneged on promises of solidarity in the crucial strike. His attacks on the breakaway union as a malignancy always draw the strongest applause at campaign meetings.  
This culminates in an assertion of the political, industrial and moral necessity of struggle, with-

Jack Taylor, the Yorkshire NUM president, says: "British Coal has made some big gains since the end of the strike. The workforce is demoralised industrially. For too long in this union we have thought that to predict a problem was to solve it."  
Gordon Butler, the Derbyshire miners' leader, concurs: "We have got to move the union forward. It exists to further its members' interests and we are not doing that. The lads do not like being told that strike action is the only solution to every problem."  
The two area leaders identify four issues which the next NUM president will have to address: unity within the union; relations with the miners in the UDM; a range of differences with the corporation; and the survival of the union itself.  
Mr Taylor and Mr Butler also want to see a different approach to issues such as the corporation's drive to introduce flexible shifts to enable six-day production. While neither wants to see big concessions being made, Mr Taylor generally believes Mr Scargill is the best man for the



job - they do want to see greater willingness to negotiate.  
"We have got to distinguish what we would like from what we can achieve," Mr Taylor says. And Mr Butler speaks in a similar vein: "Six-day working is a local question with national implications. You have to ask the men on the ground what they want. It might be a matter of saving their jobs."

On the spread of coalfields. For example, Mr Des Duffield, the South Wales miners' leader, explains: "The management here wanted to bring in subcontractors to drive a tunnel, we wanted NUM men to do it. So we offered job reductions elsewhere in the pit to free men to do the work. Imagine the union offering job reductions. The management were not interested in a dialogue. They said they would take the job cuts and bring in the subcontractors anyway. It is true nationally as well: anything you offer they will take and they will take what they wanted anyway."

As a branch official at a highly productive North Yorkshire pit, explains: "The management here wanted to bring in subcontractors to drive a tunnel, we wanted NUM men to do it. So we offered job reductions elsewhere in the pit to free men to do the work. Imagine the union offering job reductions. The management were not interested in a dialogue. They said they would take the job cuts and bring in the subcontractors anyway. It is true nationally as well: anything you offer they will take and they will take what they wanted anyway."

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## High season for Aquino

The thousands of Filipinos streaming back to Manila this Christmas from jobs all over the world will find a much happier country than they left last January.  
A year that began with government troops shooting 16 demonstrators, followed by an attempted military coup ending on a rosy note for President Corason Aquino.  
The Association of South East Asian Nations summit took place without a hitch despite grave fears that rightwingers would disrupt it. And the economy has started to bubble energetically, buoyed partly by increasing investment, but also by the Filipino habit of immediately spending most of what is received in Christmas bonuses.

## Colonel dashed

But the highpoint has been the capture of Col "Gringo" Honasan three months after he led the last and most serious attempt to overthrow the government.  
He was not caught, however, before the lively Philippine film industry had produced a send-up called "Gringa", starring an outrageously camp shadow of the dashing rebel Colonel.  
It is the latest example of the political parodies which appear in these islands with delightful irreverence only days after the smoke of momentous political events has cleared - and which perhaps help Filipinos to come through turbulent times.  
The film should have had one more sequence. In September, when Mrs Aquino's government was looking particularly shaky, one of the country's over-enthusiastic columnists - sometimes known as "columnists" - accused Mrs Aquino of hiding under her bed at the height of the August coup.

## People problem

In response, she stormed from the page, and led astonished reporters to her house where she showed that hiding under her bed was physically impossible.  
The play nearly backfired, however, when reporters noticed that her bedside reading

## Men and Matters

included a copy of "The Prince" by Machiavelli.  
This month she had the last, best, and most beautiful of Christmas gifts: a handsome young man, Gringo, was captured - after a vain attempt to hide under a bed. Quipped Mrs Aquino, "Who's hiding under the bed now?"

## Big earners

The annual homecoming of Filipinos is one of the truly joyful aspects of Christmas in the Philippines - unless one is aboard one of the returning flights.  
The millions of Filipino Americans, maids, and contract workers now spread throughout the world repatriate more than twice as many dollars each year as the country earns from semi-conductors, its largest export.  
They bring home with them a bewildering array of what is loosely called "hand luggage".  
Manila airport - which at the best of times is a hectic place - is consumed in a seething mass of moving boxes and muffled squeals of delight.  
"We tend to be a bit more lenient at this time of year," says a Philippine Airlines spokesman. "It's in the spirit of Christmas... and the Philippines."  
The migration begins as early as mid-November. Philippine Airlines (PAL) has leased two extra wide-bodied jets to augment its badly overstretched international fleet and has laid on ten extra flights a week.

## Takeshita's four

Returning Filipinos may miss the familiar sight of squatters along Manila Bay.  
They need look no further than "Toller City", a relocation site for squatters that is also a monument to the corrupt regime of former President Ferdinand Marcos.  
The budget for the housing development was so comprehensively pilfered that all the buildings managed to produce was a shadow of a church hoarding the remains of a toilet bowl.  
Some of the squatters are now drifting back after having been shifted out of sight during the Asian Summit meeting.  
Also kept somewhat out of sight were the children who are so often seen sniffing glue in the shadow of a church hoarding that beseeches, "Get High on God - Not on Drugs".  
Ironically, tight security meant none of the ASEAN leaders saw much of the spruced-up Manila

## Political theatre

Once Christmas is over, Filipinos will return to a favourite pastime, their third visit to the polls in one year.  
On January 15 they will elect local officials including governors. It will conclude the return to democracy started when Marcos was removed from power last February. Over 20 candidates have so far been killed in election-related violence since campaigning began on December 1.  
The election has produced an interesting collection of unusual candidates. There is the former rebel colonel who fought the government in August and is standing for governor in the home province of opposition leader Senator Juan Ponce Enrile.  
Then there are the basketball players, movie idols, and singers.  
In the May Congressional elections, the opposition's top-notch was Joseph Estrada, an action movie star. Now he brings a certain panache to the sober senate deliberations, lounging in sunglasses through debates on tax reform and investment codes.  
His performance probably inspired a cartoon in the Philippine Inquirer featuring the President's 18-year old daughter, Kris Aquino, an aspiring singer and actress wannabe.  
"Mommy, if you had only let me be an actress," Kris implores her mother, "I could have been a candidate too."

## Bay area. Only Noboru Takeshita, on his first trip abroad as Japan's prime minister, ventured beyond the cordon, winning the hearts of many Filipinos by his gesture of confidence in their security arrangements.

His act spoke volumes to the local people and counted more than anything he actually said in public. In Tokyo, Takeshita is already known by journalists as the man whose speech is clear but whose meaning is not.  
The sentiment was shared in Manila after an hour-long press conference, presided nothing more noteworthy than the comment - "Only God knows" how far the yen will rise against the dollar.

# A white Christmas in the FT could never be anything but pink.

Laurent-Perrier Cuvée Rosé Brut.  
The Champagne of champagnes.

Observer

Alice Rawsthorn reports on the effects of an erosion of public sympathy for Ethiopia

# The price of famine fatigue

THREE years ago the suffering of the Ethiopian people touched the conscience of the world. Donations flowed forth. This Christmas the spectre of famine has returned. Yet there are ominous signs that the tide of public opinion, in Britain at least, is turning against Ethiopia.

In the Northern regions of Tigray, Eritrea and Wollo the harvests have failed and people are leaving their homes in search of food. The aid agencies working within Ethiopia are preparing to cope with another emergency and have appealed to the public for donations. They are convinced that they can prevent the current tragedy from turning into a crisis - provided enough money arrives.

The response so far has been disappointing. The problem is that the speedy recurrence of the crisis has taken its toll on public sympathy. The same newspaper columns which sympathised with the suffering of the Ethiopian people in the last famine are now inveighing against their government.

Two weeks ago, the main international aid charities in Britain - Christian Aid, CAFOD (the Roman Catholic relief organisation), Oxfam, Red Cross and the Save the Children Fund - launched an appeal, under the aegis of the Disaster Emergency Committee (DEC), to raise money for relief work in Ethiopia. Today those charities are seriously concerned that the current climate of opinion could dissuade people from responding to their cause.

Although it would be premature to pronounce upon the success or failure of the appeal, the initial response has been far from encouraging. In its first fortnight the appeal has raised just the amount of public money rather less than the charities had hoped for.

The British arm of UNICEF, which is appealing for £5m to help stave off famine, is also concerned about the changes in public opinion. For the agencies, the most frustrating factor is that there is a real chance of preventing a repetition of the disaster which devastated Ethiopia in 1984 if enough money can be raised in time. The harvest failure was detected far earlier and the relief

infrastructure remains intact. But if the public fails to rally to the appeal, their hopes of containing the crisis will be dashed.

During the last famine, scenes of tragedy in Ethiopia touched the conscience of the West. By the time the television crews arrived in the country that autumn, hundreds of thousands of people had left their homes in search of food. Some died on the journey. Others starved to death. Still more fell victim to the epidemics which swept through the crowded food camps.

The public response was overwhelming. More than £140m (£75m) rolled into Band Aid, the organisation founded by the rock star Bob Geldof. No sooner had the DEC closed its £9.5m appeal for Famine in Africa than £5m arrived in unsolicited donations. Similarly, the established aid agencies, like Oxfam and the Save the Children Fund, increased their income.

There is a real chance of preventing a repetition of the 1984 disaster

The charities have always known that the extraordinary success of that appeal was unlikely to be repeated. Inevitably the establishment of the fashionably "cause of the 1980s" could just as swiftly become unfashionable.

This problem of "famine fatigue" has been exacerbated by the speed with which Ethiopia has plunged into another tragedy. The 1984 famine was the first large-scale food crisis to strike the country for more than a decade. The plight of the people was desperate and the images of their suffering so stark that

the television and newspaper reports relayed back to the West were preoccupied with their tragedy.

Today famine is a more familiar phenomenon. Inevitably the "bottomless pit" question has been raised: how much longer will the West be expected to bail out Ethiopia?

This poses more complex questions about the value of Western aid, not only to Ethiopia but to the rest of the Third World. Is there a risk that the availability of emergency relief makes a nation less willing or less able, to fend for itself? Will an influx of emergency grain distort the agricultural economy by depressing market prices for food from less vulnerable areas of the country?

But "famine fatigue" and wider doubts about the efficacy of Third World aid are not the only explanations of the lack-lustre response to the present appeal. In the case of Ethiopia, these issues have been clouded by the country's political problems, or rather the media's interpretation of them.

Whereas in 1984 the media coverage concentrated on the suffering of the Ethiopian people, this year it has focused on the record of their government. The Marxist regime led by President Mengistu Haile Mariam, which has been in power since 1974.

The Mengistu regime has a notorious record for human rights. For years it has been embroiled in civil war in the regions of Tigray and Eritrea; it has poured money - sorely needed for food - into arms and is now preventing aid from reaching the drought-affected war zones in the North.

In the words of the Sun, the most rancorous of the popular papers: "At the heart of the Ethiopian tragedy are the pack of criminals who run the country... a clique who live in luxury and drive Mercedes cars while deprived millions go hungry. Our food parcels are saving a pitiful tyrant from the justice he deserves. The great mercy mission is really an exercise in futility."

Even the more restrained press reports have raised the question of whether the flow of Western aid into Ethiopia may be encouraging the Mengistu regime to abdicate responsibility for the suffering of its people. Is there a danger, it is asked, that the provision of emergency and long-term relief is propping up an odious dictatorship?

Such sentiments, combined with reports of attacks on aid convoys by the Eritrean People's Liberation Front, which is embroiled in civil war against Mengistu, have fostered the belief that any aid sent to Ethiopia is doomed never to reach the people who need it.

As Pam Founcey of the DEC puts it: "We can understand the public's concern that their donations may not reach people in need. But our field workers have invested years of effort in ensuring that aid does get through. The Ethiopian people are suffering terribly and we desperately need more money to save them."

When the last famine struck the international charities working within Ethiopia were unprepared. The relief infrastructure of transport, storage and distribution had to be set up from scratch.

Shipments of food, trucks and medical supplies took months to reach the country and arrived only to find that the roads weaving around the mountains of the north were hopelessly inadequate. By the time aid from the West reached its destination, tens of thousands of people had already died.

Now there is a relief infrastructure and the long-term projects begun in the wake of the last famine have borne fruit in some regions. Moreover, both the aid agencies and the Ethiopians themselves learnt lessons and were far quicker to spot the warning signs this autumn.

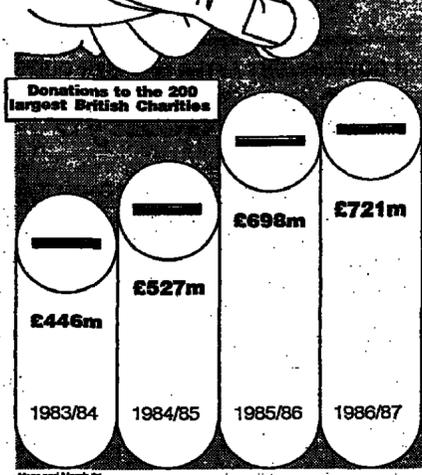
One of the principal problems three years ago was that the starving peasants left their homes to head for the makeshift food camps outside the cities. Those who survived the journey arrived to find camps that were over-crowded and rife with disease. The aid agencies are convinced that more people were killed by epidemics than by starvation.

This year the charities are determined to stop the camps from reforming. Instead they have set up rural distribution centres to ensure that people are able to make short journeys to collect food and then return home to try to mitigate the damage caused by the harvest failure.

For this strategy to succeed, sufficient food supplies must be sent to Ethiopia. Unless people are confident that there will be more food when they go back to the centres for future supplies, they will be too frightened to return home.

Unless there is a strong international response to the charity appeals, there is a great risk that tragedy will strike Ethiopia all over again.

Donations to the Disasters Emergency Committee should be sent to: Ethiopian Famine Appeal, PO Box 989, London EC2R 9ET. Or to UNICEF at UNICEF, FREEPOST, London WC2A 5BR.



Rank	Charity	Amount (£m)
1.	Oxfam	42.7
2.	Save the Children Fund	32.8
3.	RNLI	28.8
4.	National Trust	28.4
5.	Imperial Cancer Research	27.3
6.	Cancer Research Campaign	22.7
7.	Dr Barnardo's	22.3
8.	Salvation Army	20.4
9.	Band Aid	15.0
10.	Guide Dogs for the Blind	13.7

# Lombard

## On being booted in Downing St

By Samuel Brittan

IT MAY not be a very good Christmas tale; but one of the memories that keeps intruding itself is the one and only time in my life I was booted.

It was just over 20 years ago, and it was in no less a place than Downing Street, where I was with some departing journalists. The occasion was a press briefing after the devaluation of sterling from \$2.80 to \$2.40 on November 18, 1967.

Emerging from Number 10 we were because the crowd standing outside thought we were members of the Wilson Cabinet, who had brought about what Harold Wilson himself had taught people to suppose was a national humiliation.

But I must admit that my own reaction to the booing crowds was somewhat patronising. "Poor innocents," I thought, "they are booing the one correct economic decision of the Wilson Government, one which might liberate us from our orts. If they really want to demonstrate, they should have come here a long time before to boo Harold Wilson's three-year fight to save the parity." One reason why this period has been preying on me is that I recently chaired a seminar of former policy makers and advisers at the Institute of Contemporary British History on the 1967 devaluation. (The proceedings are to be published in the next issue of the Contemporary Record, available from the ICBH, 34 Tavistock Square, London, WC1H 9EZ.)

My main impression at the seminar was how little most of the participants had changed in two decades. Some of the key officials had not even aged. It was as if we had all been asleep for two decades or more and were now resuming a briefing, although this time no longer off the record.

Perhaps the most novel revelation came from Professor Robert Nield, who explained that Kaldor's Selective Employment Tax had originally been intended as a serious devaluation substitute, levied at a higher rate to finance a rebate for traded goods. The idea had been killed by George Brown, the first Secretary of State for Economic Affairs, because he did not want to hand over money to employers.

Intellectually the most interesting revelation was that the passage of time had done nothing to soften the deep disagreements between two Scottish knights, who kept on succeeding each other in various top economic positions. Sir Donald MacDougall and Sir Alec Cairncross. Sir Donald was convinced that the UK was in a fundamental disequilibrium IMF jargon for needing to devalue - as early as the winter of 1963-64, when the Conservatives were still in office. But the Treasury would not let him say so. After Labour came to office, MacDougall was given two minutes before having his analysis rejected. (A lively account of this and many other episodes is to be found in MacDougall's recently published Don and Mandarins, John Murray, £14.95.)

Sir Alec Cairncross, at the Treasury, doubted that sterling was in fundamental disequilibrium and did not feel that the devaluation case had been fully made out until well into 1967. By contrast the National Institute had suggested devaluation as early as 1961 and lost one of its stuffer sponsors as a result.

One notable absentee was Nigel Lawson - he of DM3 to the pound fame. During the arguments of the mid-1960s he had been a passionate advocate of devaluation from the editorial chair of the Spectator. The rest of us were censored, or self-censored, into talking about "fundamental policy changes," which our readers were not as quick to decode as we had hoped.

I have left too little space to say what I now think in retrospect. But if I dare end on an unseasonal note, it is this: on the common body of mainstream Keynesian assumptions on which both MacDougall and Cairncross worked - as did virtually all the policymakers of the time - MacDougall was right. But on the more counter-revolutionary (miscalled "monetarist") assumptions that came afterwards, some variant of the Cairncross position was right. In other words, it would have been best of all to have run the economy on anti-inflationary lines from 1960-61 onwards to prevent the need for devaluation arising in the first place. But by some date in the mid-1960's, it was better to recognise the reality of overvaluation.

The wider moral is that no controversy is ever resolved with the passage of time, even if some of the participants cross from one side of the floor to the other in the meanwhile.

## Irredentism has its logic

From Lord Monson.  
Sir, You claim that prior to the recent air fare deregulation negotiations Spain showed "commendable patience" in its deal over Gibraltar (December 10). Why? What harm have Gibraltar or the Spaniards caused that might remotely have justified impatience on the part of the latter?

If irredentist ambitions are to be deemed respectable, then one could as logically argue that Germany showed "commendable patience" over the Sudetenland between the Treaty of Versailles and the mid-1930s. The geographical arguments in favour of Germany's claim to that territory were no less valid than those allegedly supporting Spain's claim to Gibraltar while the historical, ethnic and cultural arguments backing Germany's case 50 years ago were very much stronger.

Perhaps the paramountcy of self-determination isn't such a bad principle to adhere to, after all.  
Monson,  
House of Lords, SW1

## Opencast coal deserves supporters

From the Director General of the Federation of Civil Engineering Contractors.  
Sir, Your article "Coal communities urge cut in opencast output" (December 15) reports that the Coalfields Communities Campaign is seeking a reduction in opencast output for economic as well as environmental reasons.

As to the first of these, in the last financial year an output of 14m tonnes of opencast coal provided an operating profit of £243m for British Coal, compared with only £39m profit from 88m tonnes of deep mined coal.

On the second point, that opencast should be curtailed on environmental grounds, I should point out that modern opencasting carried out by civil engineering contractors is followed by restoration such that it is one of the few industrial activities which leads to no permanent loss of countryside.

## Letters to the Editor

bounds of reporting and launches into speculation more properly the province of editorial comment. When he raises questions he does so in his own name, proper journalistic etiquette would have required him to find a quotation from some public personality to express this view, if that is the slant he wished to give his article.

For having permitted him to get away with it, you deserve censure. As a US taxpayer I should perhaps thank Mr Whitley for his manly defence of my interest, but I doubt that a paltry few million here or there would have been left unspent by the Congress.

Harry Nagler,  
190 Riverside Drive,  
New York

## Rothschild would have acted legally

From Mr Jeremy Strachan.  
Sir, In their interesting piece on insider trading (December 10) Messrs Hermal and Shepro comment that if Nathan Rothschild had been director of the hypothetical Rothschild plc and, once in possession of advance knowledge of Wellington's victory at Waterloo, had bought shares in the company, he would have acted illegally under present English law. This, the writers say, would be "a classic case of insider dealing."

Not so, for at least two reasons. First, an essential ingredient of the offence under the Company Securities (Insider Dealing) Act 1985 is that the information which the director holds (here, a knowledge of the

## Given the hard sell in the street

From Mr Hamish Hay.  
Sir, I am a 20 year old student here in London, following my degree course, subsisting on a 50 per cent grant supplemented by a small allowance from my parents.

I was shocked to be accosted in Oxford Street, London, the other day by a financial services salesman who subjected me to about 10 minutes high pressure sales talk in the street, followed by a further half an hour in the firm's offices. I escaped only by agreeing to go back - an appointment I cancelled.

How can selling financial services in the street be acceptable if selling umbrellas or other goods without a street trader's licence is an offence?  
Hamish Hay,  
27 Montagu Mansions, W1

## The manufacturing trade balance will have to be stronger

From Dr John Wells.  
Sir, Sir Charles Villiers questions (Letters, December 14) whether it really was necessary for Britain to experience a deterioration in her manufacturing trade balance in the period since the 1980s. In response to huge improvements in non-manufacturing trade - or whether, if British industrial performance had been on a par with those of Germany and Japan, we could, like them, have continued generating enormous manufacturing export surpluses.

What Sir Charles may fail to appreciate is that the behaviour of the manufacturing trade balance is not the unambiguous indicator of industrial performance it is widely thought to be. Trends in the manufacturing balance reflect developments on the non-manufacturing side of the economy, as well as the overall macro-economic balance - the relationship between domestic and foreign savings and domestic investment: that is to say, whether a country is a net

capital exporter and, hence, in surplus on commercial account.

The strength or weakness of a country's industrial performance, on the other hand, is best measured in terms of the rate of growth of overall per capita national income, the growth of employment opportunities and the ability to maintain external balance.

Of course, Britain's industrial performance since the Second World War has been weak. This has been reflected in a comparatively low rate of growth of real per capita income, rising unemployment, and a perennially weak balance of payments. If British industrial performance had been stronger, then national income would undoubtedly be higher.

But given the huge changes in non-manufacturing trade which occurred, most of which were relatively autonomous in kind (that is, largely independent of industrial performance), then so

long as Britain had remained broadly in balance on commercial account, her manufacturing balance was bound to deteriorate. In this case, Britain's increased export revenues from her greater industrial prowess would have been used to purchase an increased volume of manufactured imports.

If Britain, like Germany and Japan, had decided to abstain from enjoying to the full the fruits of her enhanced prosperity, and become a net capital exporter, then in this case she would have run large export surpluses on commercial account and would not have experienced such a large deterioration in her manufacturing trade balance.

However, this only serves to illustrate the point that for a country like the UK, industrial performance is undoubtedly the main determinant of the overall rate of economic growth. Meanwhile it is the savings-investment balances which determine whether a country is in deficit or surplus on commercial account,

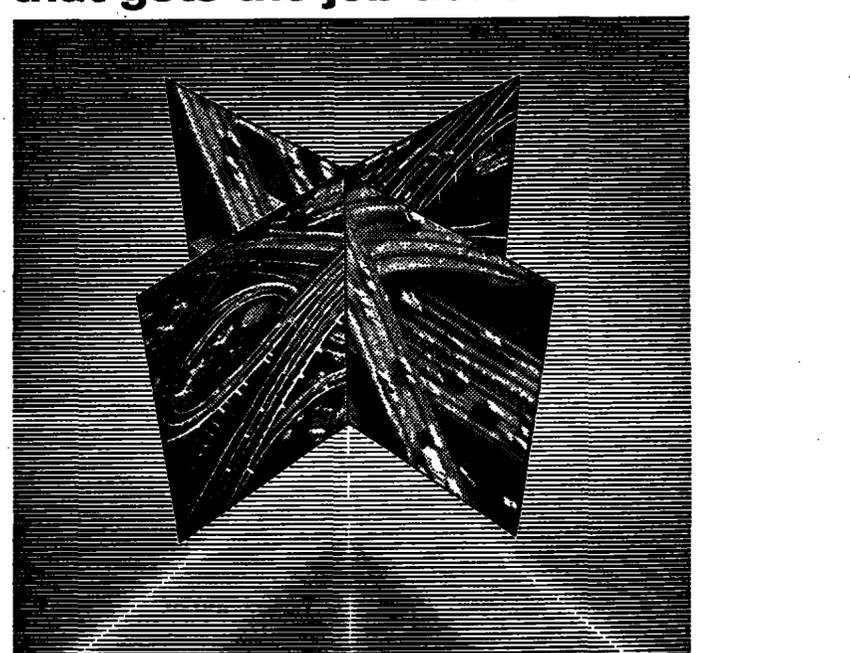
and hence - given its balance in non-manufacturing trade - whether it is in surplus or deficit in manufacturing trade, and to what degree (as a proportion of national income).

It is by no means inevitable that Britain would have used its enhanced prosperity - as Germany and Japan have done - to become a major net capital exporter. Nor is it by any means clear that these two countries will be able to sustain such a position for very much longer.

However one thing is certainly clear. As North-Sea oil revenues decline, Britain's manufacturing trade balance will have to be considerably stronger than it is now if we are to have any chance of bringing about substantial reductions in unemployment, as well as continuous increases in everyone's standard of living.

John Wells,  
Faculty of Economics and Politics,  
University of Cambridge

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## Janet Bush on Wall Street Redressing the risk of investing

THE STEADY stream of applications for British Petroleum shares from private investors as share prices came crashing down around their ears provided disturbing evidence that many who had been caught up in British Prime Minister Mrs Margaret Thatcher's revolution of popular capitalism had not caught on to the idea of downside risk.

Of course, America is different. The US has been a share-owning democracy for a lot longer than Britain and investment in stocks is far more widespread - there are about 50m private US investors compared with around 9m in Britain. And, naturally, American investors are far more sophisticated. They understand all about hedging and arbitrage and playing stock index futures. But do they?

One of the prime aspects under review as various official bodies pore over the entrails of the crash is the impact on private investors, many of whom lost heavily.

The number of complaints received by the Securities and Exchange Commission from retail investors about securities firms has doubled in the weeks since the crash. The Commission's North American Securities Administrators Association (Nasaa) set up a hotline to nurse investors through their individual crises. Callers have been provided with a handbook called "Coping with the Crash".

One of the persistent complaints from private investors was their inability to get through to their brokers during the volatile days of late October. Ironically enough, the Commission set up its hotline to be persistent in trying to get through as some investors had been getting busy signals for hours before reaching a Nasaa operator.

In the aftermath of the crash the securities industry - already agonising about costs, lost profits and bonuses, and staffing levels - has been urged to reinforce self-regulation and rebuild the confidence of the private investor.

## BRAZIL'S LARGEST PARTY COULD CUT TIES WITH GOVERNMENT AFTER BRESSER QUILTS Row looms over Sarney's delays

BY IVO DAWWAY IN RIO DE JANEIRO

BRAZIL'S largest political party looks set to sever relations with the Government of President Jose Sarney following the resignation late on Friday of Mr Luiz Carlos Bresser Pereira, the Finance Minister.

Mr Bresser, imposed by the dominant Democratic Movement Party (PMDB) on the President last April, quit when Mr Sarney stalled his plan to introduce a new capital gains tax.

Mr Bresser's departure was accompanied by the resignation of Mr Fernando Bracher, the former central bank president. Until last week Mr Bracher led the

team negotiating the restructuring of \$88bn in commercial debt.

It is thought likely that Mr Fernando Milliet, the current Central Bank president, may follow shortly.

The minister's resignation also reflected his wider dissatisfaction with Mr Sarney's refusal to back fully a fiscal and spending cuts package aimed at curbing inflation, now in excess of a record 360 per cent a year.

Mr Bracher has been a familiar figure in New York among the creditor banks. Mr William Rhodes, the leader of the 14-member bank negotiating committee, was quoted as promising that the changes would not alter his timetable for completing a new three-year deal, intended to take place next month.

However, there must be

doubts, and these centre on the issue behind Mr Bresser's resignation - the inability of any Brazilian finance minister to win political backing for tough economic reforms.

The minister's resignation also reflected his wider dissatisfaction with Mr Sarney's refusal to back fully a fiscal and spending cuts package aimed at curbing inflation, now in excess of a record 360 per cent a year.

"This is a weak Government, incapable of taking the decisions needed to adjust the economy," he told reporters.

The new Finance Minister is Mr Malson Ferreira da Nobrega, a career civil servant at the finance ministry, who will serve for an interim period prior to a new appointment.

Leftwingers in the PMDB - the majority party in both houses of Congress - are now seizing on the ex-minister's resignation as grounds for a complete break with the Government.

Any such move is certain to split the party, however, as rightwing members were among a large political lobby pressing Mr Sarney to block proposals for capital gains and wealth taxes.

## Hong Kong banks set to levy speculators

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Association of Banks is preparing to allow members to charge so-called negative interest rates by imposing a levy on large deposits.

The action comes after several weeks of intense pressure from speculators expecting the colonial administration to revalue the currency against the US dollar. The Government has repeatedly and adamantly insisted that it has no plans to revalue the currency.

The Hong Kong dollar has been linked to the US currency at a rate of HK\$7.80 since late in 1982. US officials have argued recently that Hong Kong should, like other Asian newly industrialised countries, revalue its currency in an effort to restore bilateral trade equilibrium with the US.

While the local currency is linked to the US unit, the only defence against speculative pres-

sure has been to alter interest rates, and these have been falling steadily in recent months.

Prime lending rates have fallen by 1 percentage point since early November to 8.5 per cent, while deposits on savings have slumped to a meagre 1.5 per cent and overnight interbank rates have plunged to as low as 1/2 of 1 per cent.

The association of banks unveiled plans at the weekend for a "special rate" which will allow members to impose a levy on large speculative deposits.

Mr John Mackenzie, the group's chairman, described the move as "a mechanism for collecting interest on excessive credit balances in response to the continued speculation regarding the HK-US dollar link rate."

However, there was no indication of when and in what circumstances the rule will be activated.

Mr Mackenzie said: "There is a

lot of hot money swirling about out there. We've got good investment money coming in too, but we would like to get rid of the speculation."

These speculators are a nuisance, people who want to punt in the Hong Kong dollar and are disturbing the community's genuine commercial activity. They would be well-advised to go to the race courses where the odds are very much better.

The link rate between the Hong Kong and US dollars was introduced as an emergency measure in November 1983 to staunch panic selling of the currency based on political fears. It is generally regarded as having served Hong Kong well in providing stability through a period of acute political uncertainty.

Nevertheless, over the past 18 months the link has become a regular attack on the US dollar has fallen against other currencies worldwide. There is no disputing that Hong Kong's export competitiveness has been greatly

enhanced - particularly against its keenest competitors in east Asia. An export-led boom has resulted in acute labour shortages and rising inflation.

Protectionist lobbies in the US have, nevertheless, been the fiercest critics of Hong Kong's refusal to revalue, and there have been suggestions in recent weeks that trade penalties may be imposed if nothing is done.

In response, Hong Kong officials insist that the territory has to be seen as a special case. They say the territory is an entirely free market - a model of what the US Administration would like to see in other territories in Asia.

They also say that while Hong Kong maintains a surplus on its visible trade with the US, it has no overall trade surplus, and its current account (including invisible trade) shows only a tiny surplus. This contrasts with Taiwan and South Korea, which run substantial surpluses in their trade with the rest of the world.

## Telecom authorities plan data networks

BY DAVID THOMAS IN LONDON

TELECOMMUNICATIONS authorities in 15 western European countries are pressing ahead with plans which could revolutionise the provision of international data networks for large companies in Europe.

The Conference of European Postal and Telecommunications Administrations, which represents western Europe's telecom authorities, is engaged in two projects to foster greater collaboration in providing data networks.

The first, which would put the authorities in direct competition against the world's largest computer companies, is concerned with managed data networks, which are at the heart of the convergence between telecommunications and computing.

This would involve the telecommunications authorities in managing private lines for data traffic for large companies. Private lines, formerly used mainly in-house for these purposes, are increasingly being used by companies to communicate with their customers and suppliers.

Large computer and computer service companies such as International Business Machines, Electronic Data Systems, a subsidiary of General Motors, and Geisico, a subsidiary of General Electric of the US, are competing to provide such services in Europe.

A feasibility study by the European telecommunications authorities on whether they should enter the market in a co-

ordinated, pan-European way concluded that there were no technical barriers to prevent them.

The authorities cover Austria, Belgium, Denmark, France, Finland, West Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK. They have begun a further two-part study with the aim of launching the service by the third quarter of 1989.

The first part of the new study, to begin next May, involves questioning potential customers about their attitude to the project. A second part will look at the problems of introducing such a service.

The project will probably have to satisfy two key conditions:

- "One-stop shopping" - a multinational company would be able to order all requirements for its private data networks through Europe from the telecom authority serving its European headquarters.
- "One-stop billing" - similarly, a multinational would be able to pay for everything associated with its private network at the one point.

The second project involving European telecommunications authorities is the upgrading of international links between their public data networks, which are used for electronic messaging, gaining access to databases and some financial transactions such as credit card charging.

## Israeli army braced for further violence

Continued from Page 1

The Gaza Strip to Israel. An Islamic college was closed for two days after students rioted in Hebron.

In Jerusalem on Saturday about 300 Arab youths attacked four branches of Israeli banks, smashing windows and setting fire to furniture and documents. They also sacked an Israeli-owned restaurant and stoned passing cars.

In a tightly-controlled response, police and para-military border police dispersed the rioters with teargas and arrested 38 of them.

The security forces are braced for trouble today in response to a general strike called by leaders of Israel's 650,000 Arab citizens. They fear that even if the strike passes peacefully, as promised, it will provoke further violence in the occupied territories.

With only four days to go before Christmas, Mr Elias Freij, the Arab mayor of Bethlehem, yesterday rejected Palestinian calls to cancel the town's traditional celebrations. The Israeli Ministry of Tourism says about 50,000 pilgrims are booked to arrive from abroad, an increase

of 25 per cent on last year. "The whole world will be looking towards Bethlehem," Mr Freij said. "I will never mix religion with politics. We are disappointed with the policies and the actions of the Israeli army. I think we should honour the birth of Our Lord Jesus Christ on Christmas Day."

In the Lebanese city of Sidon, an estimated 7,500 people - Palestinians and Lebanese - marched through the streets yesterday, chanting that they would escalate "armed struggle" against Israel.

Agencies reported from Cairo that the Egyptian Government yesterday delivered a sharp protest to Israel's ambassador, Mr Moise Sesson.

In the fifth official statement since the unrest in the occupied territories, Mr Sesson was told of the outrage of the Egyptian government - still the only Arab state to have signed a peace treaty with Israel - at what a Foreign Ministry statement described as "the brutal, oppressive measures taken by Israel against the Palestinian people in the occupied territories."

## Ruhr steelworkers' cathedral of protest

Continued from Page 1

side Works Gate One. Shopkeepers early on formed into a solidarity movement and kept the workers supplied with food and funds.

Outside stands Mr Edmund Kautner, a 55-year-old widower who worked at the plant since 1943. He recalls taking part in demonstrations in 1946 against British troops who tried unsuccessfully to dismantle the plant and take it back to the UK as part of war reparations.

"We sat down on the streets so the tanks couldn't get through. We saved the works for Krupp," says Mr Kautner, grim-faced at the irony of it all. "We are a very peaceful people. But when we're driven into a corner, when it's a question of our very existence, His voice falls off, leaving the

threat of violence unspoken and, maybe, unbelievable.

There is little merriment among the Christmas shoppers of Rheinhausen. Mr Rudolf Mess, the neat, precise manager of the Kautner department store, says: "Customers are hesitating, they are buying much more selectively." Pre-Christmas turnover was 7 to 8 per cent lower than in comparable stores elsewhere.

There is just one modest silver lining for Mr Mess. "Normally, when we open in the morning, the drunks are the first in. During the last three weeks, we haven't had any. People are watching more carefully how they spend their money - and going home rather than spending all night in a bar."

Friday's protest was a solemn counterpart to a mammoth steel demonstration the previous week when, throughout the Ruhr coal and steel region, plants stood idle, shops and schools were closed, and roads blocked.

The disruptive action, although carried out largely peacefully, underlined powerfully how steelworkers' demands are slowly rising. It has worried, though not yet alarmed, the federal government in Bonn. And it drew a promise last week from the Krupp management at least to consider the option of non-closure in New Year negotiations.

What will happen next? The steelworkers are realists who know all about world over-capacity, even though they complain that Bonn has failed in Brussels

to protect them from subsidised competition from elsewhere in the EC.

Mr Dietmar Hauechke, a burly IG Metall man whose chest is scrawled with slogans labelling top Krupp executives as "grave-diggers," says the company's latest pledge to negotiate may be just as endangered as on the first day. They want a period of quiet - "we won't give them that."

But he adds quietly, in a remark which could sound like desperation, that if the Krupp workers win their fight, the battle over plant closures will simply move elsewhere - perhaps to Mannesmann's steelworks on the other side of the Rhine.

## World Weather

Area	Temp	Wind	Cloud	Precip	Humid	Visib	Other
Amsterdam	10	10	10	10	10	10	10
London	10	10	10	10	10	10	10
Paris	10	10	10	10	10	10	10
Rome	10	10	10	10	10	10	10
Moscow	10	10	10	10	10	10	10
Delhi	10	10	10	10	10	10	10
Calcutta	10	10	10	10	10	10	10
Madras	10	10	10	10	10	10	10
Bombay	10	10	10	10	10	10	10
Colombo	10	10	10	10	10	10	10
Singapore	10	10	10	10	10	10	10
Manila	10	10	10	10	10	10	10
Seoul	10	10	10	10	10	10	10
Tokyo	10	10	10	10	10	10	10
Hong Kong	10	10	10	10	10	10	10
Beijing	10	10	10	10	10	10	10
Shanghai	10	10	10	10	10	10	10
Guangzhou	10	10	10	10	10	10	10
Chengde	10	10	10	10	10	10	10
Chongqing	10	10	10	10	10	10	10
Yancheng	10	10	10	10	10	10	10
Wulumuqi	10	10	10	10	10	10	10
Urumqi	10	10	10	10	10	10	10
Qinghai	10	10	10	10	10	10	10
Yincheng	10	10	10	10	10	10	10
Xi'an	10	10	10	10	10	10	10
Chengde	10	10	10	10	10	10	10
Chongqing	10	10	10	10	10	10	10
Yancheng	10	10	10	10	10	10	10
Wulumuqi	10	10	10	10	10	10	10
Urumqi	10	10	10	10	10	10	10
Qinghai	10	10	10	10	10	10	10
Yincheng	10	10	10	10	10	10	10
Xi'an	10	10	10	10	10	10	10

## Long-range missile plan

Continued from Page 1

Israel is said to be virtually the "turn of a screwdriver" away from arming these missiles with nuclear warheads.

Western military experts familiar with the Egyptian-Argentine collaborative venture are divided on progress made towards completing Condor II, though some believe Egypt has already conducted at least one test-firing connected with the project.

Egypt is also believed to be building, with North Korean assistance, an improved Scud B battlefield missile of the type Iran has been using against Iraq in the so-called "war of the

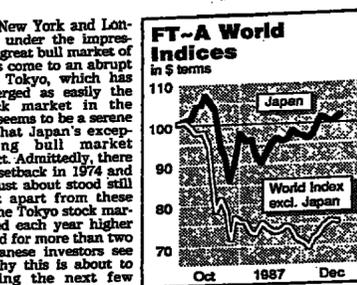
cities." The Egyptian version would have a range of about 300km, and be capable of delivering a 1,000kg payload.

The new missile control regime is also being used to put pressure on Western governments to stop companies with missile expertise under their jurisdiction from exporting components such as propellants and guidance systems.

Messerschmitt-Boelkow-Blohm of West Germany is understood to have assisted in the Argentine missile programme through a third-country subsidiary.

Additional research by Tim Coome in Buenos Aires

## THE LEX COLUMN Tokyo believes in itself



Investors in New York and London may be under the impression that the great bull market of the 1980s has come to an abrupt halt. But in Tokyo, which has recently emerged as easily the biggest stock market in the world, there seems to be a serene confidence that Japan's exceptional long bull market remains intact. Admittedly, there was a nasty setback in 1974 and the market just about stood still in 1982, but apart from these exceptions, the Tokyo stock market has ended each year higher than it started for more than two decades. Japanese investors see no reason why this is about to change during the next few years.

The resilience of the Tokyo stock market in the wake of last October's world stock market crash has left many international fund managers decidedly puzzled, and not a little embarrassed. After an initial 14.9 per cent plunge, the Nikkei Dow average has found a new trading range of between 22,000 and 23,000. In dollar terms it has recovered to its end-September levels, and is still showing a rise of more than a third on the year to date, whereas Wall Street is back to where it was at the start of the year.

### Stock market peaks

The rest of the world's major stock markets reached their all-time highs in the summer, with the exception of West Germany, which peaked in April 1986. However, the message coming out of Tokyo remains decidedly bullish. Indeed, Nomura Securities, an investment firm which towers over the likes of Merrill Lynch or S.G. Warburg in terms of capitalisation, stated last week that the Tokyo stock market is likely to outperform both London and New York by a significant margin over the next few years. It feels so strongly that the strength of the Japanese bull market has been misunderstood by foreign investors that it has been taking out full page newspaper advertisements to state its case. As far and away the biggest operator in the Japanese stock market, Nomura obviously has a vested interest in the maintenance of a long-term bull market in Japanese equities.

Nevertheless, its arguments are worth rehearsing for no other reason than that they are probably not much different from the official Japanese view. The contrarian investment philosophy has never caught on in Japan.

Nomura begins its case for Japanese equities by stressing the long-term strength of the Japanese economy. It forecasts economic growth of 3.8 per cent in 1988, which is not much different from this year's estimated growth, and is nearly twice as

fast as the rate for the OECD. Over the next decade it is forecasting real Japanese growth of 4.5 per cent per annum, compared with OECD growth of 2.6 per cent. It believes that the yen will continue to appreciate and that Japan will increase its lead as the world's largest creditor nation with a net position of \$430bn by 1990. Corporate profits should continue to grow by around 20 per cent next year, or more than twice as fast as in the rest of the world, mainly because Japanese companies have adapted surprisingly quickly to the problems of a strong yen and because domestic growth is increasingly important.

### Pension funds

Another potential support for the Tokyo stock market over the medium-term is the expected increase in the proportion of equities in institutional investment portfolios. In the UK, pension funds own about half of the equity market. In Japan they own just 1.5 per cent. But the ageing of the Japanese population is putting pressure on the pension fund industry to improve its performance, and the Government is now encouraging equity investment by the big state pension funds. They control \$750bn of assets but until very recently have not invested in equities. Private pension funds, which have less than a quarter as many assets, have controlled a further \$170bn of assets. This figure is expected roughly to triple in size by 1986, and an increasing portion will go into equities. Meanwhile the big insurers, like Sumitomo Life, plan to boost the equity content of their portfolios substantially.

This is the bullish case for the Tokyo market. But it is one which is hard to accept, if for no other reason than that non-Japanese investors, at least, find it difficult to understand why Tokyo can remain insulated from the problems troubling the rest of the world's major stock markets. Furthermore, if Japanese equities looked overvalued relative to the rest of the world before the crash, they are considerably more expensive now. Morgan Stanley, for example, estimates that Japanese manufacturing companies are selling at roughly 10 times their 1983 cash earnings, compared with ratios of 4 and 5 for European and US equities respectively. In addition, Japanese institutional investors have been conspicuous by their absence from the stock market since the crash which is reflected in the recent slump in trading volume. For all Nomura's bravado arguments, it seems that these investors may be suffering from the same crisis of confidence that has been afflicting other major investors around the world over the last couple of months. Perhaps the most bullish signal for the Japanese market would be the return of the foreign investor - something which could do more for local institutional confidence than any number of advertisements from Nomura.

**AEROSPACE ENGINEERING, ALAN PATRICK**  
**ALEXANDER HOWDEN, ASHURST MORRIS**  
**CRISP, 31, ALLIED IRISH, BAKER HARRIS**  
**SAUNDERS, BANK OF SCOTLAND, BARINGS**  
**BARCLAYS, BODDINGTONS, BUCKMASTER &**  
**MOORE, BZW, JAMES CAPEL, CAZENOVE**  
**CHARTERHOUSE, CHASE MANHATTAN, CIN**  
**CONTINENTAL ILLINOIS, COUNTY, COUTTS**  
**DIBB LUPTON, FRERE CHOMLEY, GOVETTS**  
**FRESHFIELDS, GNI, GT, GOLDMAN SACHS**  
**GOOCH & W**  
**GREAT SOL**  
**HOUSE OF**  
**H & J QUICK**  
**INDUSTRIE**  
**HOARE GO**  
**JOHN FOST**  
**KLEINWOR**  
**LOYDS, L**  
**MIDLAND,**  
**GRENFELL,**  
**PAULS, PH**  
**WAGSTAFF**  
**SOUTHERN**  
**OF FRASER**  
**HARRISON**  
**LL SAMUEL**  
**ETT, ICAEW**  
**ER, KALON**  
**INKLATERS**  
**IS, LONRHO**  
**D, MORGAN**  
**NAT WEST**  
**PHILLIPS &**  
**DREW, PHILIP HARRIS, PICCADILLY RADIO**  
**RADAMEC, THOMAS ROBINSON, ROYLES**  
**S.G. WARBURG, SCHREIBER, HERBERT SMITH**  
**SAVILLES, SHEPPARDS, SLAUGHTER & MAY**  
**STEPHENSON HARWOOD, TSB, TEMPLETON**  
**GALBRAITH & HANSBERGER, ROYAL BANK**  
**OF SCOTLAND, UNITED SCIENTIFIC HOLDINGS**  
**SUTCLIFFE SPEAKMAN, WILLIAM F. PRIOR**  
**WELLMAN, MIM, WILLIAMS LEA, YORKSHIRE**  
**BUILDING SOCIETY, YORKSHIRE CHEMICALS**

**HAPPY CHRISTMAS**  
**AND BEST**  
**WISHES FROM**  
**ROBSON RHODES**  
Chartered Accountants  
sixteen offices in England

**IMI**  
for building products, drink dispensers, fluid control, special engineering, refined and wrought metals.  
IMI plc, Birmingham, England.

SECTION II - COMPANIES AND MARKETS  
**FINANCIAL TIMES**

Monday December 21 1987

My golden hello has a poison pill.  
They won't let me keep my secretary from...  
**Senior Secretaries**  
TELEPHONE: 01-606 1811

**CREDITS**

**Barker & Dobson deal points to a busy year ahead**

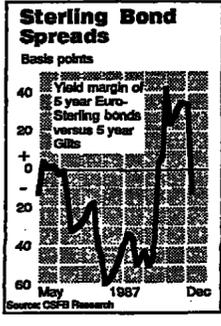
THE INTERNATIONAL loans market continues to thrive in the fall-out from the world stock market collapse. Even in the usually placid week before Christmas, £1.6bn of takeover finance was arranged for Barker & Dobson, maker of the Victory V, a fiery lozenge designed to help the long-suffering British withstand the winter. The facility, to help in the finance of its audacious £2bn contested takeover for Dee Corporation, carries a margin of 1 1/4 per cent and will be repaid in three parts: 35 per cent each after 18 and 30 months and the rest after three years. Underwritten by seven banks, led by Citicorp and Chemical Bank, it will be syndicated only when the offer becomes unconditional. With takeover bids financed by share offerings ruled out by the troubles of the stock market, bankers might see in the financing of this David vs Goliath bid signs of a busy year ahead in 1988. This week, though, the most arduous task faced by many bankers will be the scrawling of their signatures on a multitude of loan agreements to be completed by year-end. Due for signing on Wednesday is the \$300m financing for Hidro-Electrica Espanola (Hidro), the Spanish utility. This loan, led by Manufacturers Hanover, represented the reopening of a market effectively closed to Spanish borrowers since the debt problems of another utility, Fuerzas Electricas de Cataluna (Fecsa), came to light last February. It is a financing which has a somewhat unusual structure. The \$300m deal originally carried a 1/2 point margin but the enthusiasm with which other lead managers joined the transaction apparently convinced the borrower that its standing was so high among international banks that it deserved a lower margin. It got its way. An extra \$100m tranche, with a 1/2 point margin, was added and in general syndication, banks were offered a half

Stephen Fidler

**INTERNATIONAL BONDS**

**Oil price fall dominates government sector**

THE EUROBOOND market is officially shut from today, according to the Association of International Bond Dealers, the market's rulemaking body. For a two-week period over Christmas, market-makers are officially released from the obligation to make prices to each other. However, this will probably make little impact on the market. Last week most dealers were still officially committed to quoting prices to other professionals. If requested, but were making little effort to get in touch with each other. So business was virtually at a standstill, though dealers carried on adjusting prices in response to changes in the government bond markets. There, trading was dominated by the disinflationary implications of the sharp fall in oil prices during the week. A number of domestic bond markets staged a bounce in response to this, with the US bond market benefiting most despite the weakness of the dollar. The gilt market, on the other hand, eased as sterling fell on the weakening oil price.



The relative resilience of prices in the Eurosterling sector is normal, reflecting the fact that retail investors are slower to sell than the institutions that buy gilts. But the trend has been exacerbated by very thin supply over the past few weeks.

A 10-year bond for Denmark, for instance, which was yielding about 50 basis points more than the comparable gilt just after the stock market collapse, is now yielding around 10 basis points more.

In the Euroyen sector, shorter maturity bonds were being bought by some retail investors. This activity seemed to be inspired by the combination of the strong performance of the yen, which gained sharply against the dollar during the week, and the lack of interest rate direction in the bond market.

The Bank of Japan had made it clear it had no wish to ease interest rates any further, providing investors in the bond market with little incentive to lengthen maturities.

Unlike other sectors of the Eurobond market, the D-Mark sector bucked the trend in the West German government bond market. There, prices eased slightly, despite the stronger DM/dollar exchange rate, and the average yield rose from 5.93

Clare Pearson

**US waste group sold to Union Pacific**

By Roderick Oram in New York

USPCI, the US waste disposal company specialising in hazardous materials, has finally agreed to be taken over by Union Pacific, the rail, trucking and natural resources group which has been stalking it for many months. The \$28-a-share agreed bid, worth about \$415m in total, was slightly higher than the hostile \$25-a-share tender offer Union Pacific started for Uspci last month. It was fractionally lower, though, than the offer Uspci rejected before the October market crash. The latest offer was supported by Beard, an Oklahoma oil and gas company, but it will not tender its 28 per cent stake in Uspci. Instead, Union Pacific said it would negotiate a takeover of Beard once the Uspci deal was completed. Union Pacific currently has 3.7 per cent of Uspci's shares. Disposal sites are tightly regulated by the Government, so Union Pacific would benefit from integrating disposal companies' expertise and licences with its transport operations. Union Pacific is paying a high premium of around 40 times Uspci's annual earnings to beef up its presence in this fast-growing business.

**FUTURES TRADING**

**Lessons in market logic for bargain hunters**

"IF YOU go into a store and you see that shoes are on sale, you usually buy them," argues Mr Peter Moon, at Chicago's Market Logic School. "But what does your average commodity trader do? He takes off his own shoes and tries to sell them instead." Commodity futures markets, Mr Moon tells a mix of seasoned traders and raw novices at one of the school's courses, should be treated no differently from shopping in a supermarket. "Why do we throw all our concepts of buying and selling out of the window when we start trading futures?" he asks. For this reason the Chicago-based school, which runs seminars in the US and abroad, finds some of its most committed devotees to be people already adept at buying and selling. Often, addicted bargain-hunters and people used to managing a home will relate easily to the school's theory. "I've always been a thrifty shopper," explains a psychiatric nurse from Portland, Oregon, who gets up at 5.30am to trade Treasury bond futures from a screen in her kitchen. The nurse, who did not want to be named, says she has almost given up nursing to remain glued to her screen. "I had a good eye for value, more so than a lot of my friends, and this isn't that much different from shopping." She was "killed" a couple of times by the markets before she went to one of the school's courses, but now feels she has learnt a better market understanding. Market Logic is the brainchild of Mr Pete Steidlmayer, veteran trader at the Chicago Board of Trade, who regards a poor trading year as one in which he makes less than \$100,000 profit. He, and his ex-journalist affiliate, Mr Kevin Koy, are attempting to turn accepted random

market theory on its head. The school, which started up last year, teaches the concept of value in the futures markets. Bargains are to be found by buying below value and selling above. Participants in Market Logic's four-day courses are mostly established traders looking for a new decision-making process. But at the same time, the school's crusading zeal about demystifying the financial markets has attracted people from all walks of life. Mr Tom Drinka, professor of applied sciences at the University of Western Illinois agriculture department and himself a former broker, says he was so interested in the school that he introduced a Market Logic course at the university in August. But Mr Steidlmayer insists he has not invented a system of trading, just a way of organising the market. He organises it into a

traditional bell-shaped curve - plotting price against time - and classifies market activity to pinpoint opportunities. While the school stresses the need to look at markets for long-term trends, it also highlights the necessity of concentrating on short-term, market-generated information. It aims to teach traders how to build their own framework for looking at the markets and finding out where good value is. "It's all about intuition," Mr Moon explains. "It's such a simple approach that a lot of traders have to unlearn the technical analysis they relied on before."

With the school set to run another course at London's International Financial Futures Exchange in January and appointments to follow in Tokyo, Sydney and Singapore, ordinary people across the globe could soon face that most dreaded of Chicago afflictions - the urge to trade commodities. The school counts many estab-

Deborah Hargreaves

**EUROMARKET TURNOVER (\$bn)**

Primary Market	Straitened	Conv	FRN	Other
USS	1,407.5	6.5	339.5	6,671.3
Prev	343.7	0.0	267.0	6,174.0
Other	2,219.7	0.0	0.0	417.9
Prev	1,040.2	0.0	821.3	435.4

Secondary Market	USS	FRN	Other
USS	13,195.8	1,147.8	9,222.1
Prev	15,705.1	1,627.5	10,117.5
Other	18,030.5	861.5	3,577.5
Prev	18,392.9	747.1	5,788.9

	End of	Europe	Total
USS	16,643.6	27,501.3	37,144.9
Prev	12,177.9	27,501.3	39,679.2
Other	12,382.1	28,996.9	40,279.0
Prev	13,147.0	24,517.8	43,764.8

Week to December 17, 1987 Source: AIBD

**MFC**  
**Mortgage Funding Corporation PLC**  
£225,000,000  
Revolving Credit Facility  
Arranged by  
**Samuel Montagu & Co. Limited**  
Lead Management Group  
**Banque Nationale de Paris p.l.c.**  
Samuel Montagu & Co. Limited  
**The Sumitomo Bank, Limited**  
Co-Lead Managers  
**Commerzbank Aktiengesellschaft** London Branch  
**The Dai-ichi Kangyo Bank, Limited**  
**The Daiwa Bank, Limited**  
**The Mitsubishi Trust and Banking Corporation**  
**The Taiyo Kobe Bank, Limited**  
**The Mitsubishi Bank, Limited**  
**First Republic Bank Dallas, N.A.** London Branch  
**The Tokai Bank, Limited**  
**The Fuji Bank, Limited**  
**National Bank of Abu Dhabi**  
Managers  
Participants  
**Banco di Roma** London Branch  
**CIC-Union Européenne, International et Cie** London Branch  
**Credit Suisse**  
**Rabobank Nederland** London Branch  
**S.F.E. Bank Limited**  
**BHF - BANK** London Branch  
**Citibank, N.A.**  
**The Kyowa Bank, Ltd**  
**The Saitama Bank, LTD**  
**Société Générale** London Branch  
Agent  
**Samuel Montagu & Co. Limited**  
Advisers to and Managing Agents for MFC  
**Kleinwort Benson Limited**  
December 1987

**E**  
**A/S EKSPORTFINANS**  
(Forretningsbankenes Finansierings- og Eksportkreditinstitut)  
**DKR 250,000,000**  
**10 5/8% Subordinated Notes Due 1992**  
**MORGAN GUARANTY LTD**  
**GUDME RAASCHOU INVESTMENT BANKERS LTD.**  
**BANKERS TRUST INTERNATIONAL LIMITED**  
**SPAREKASSEN SDS**  
**BANQUE GENERALE DU LUXEMBOURG S.A.**  
**BENDIX BANK AKTIESELSKAB**  
**DRESDNER BANK AKTIENGESELLSCHAFT**  
**ORION ROYAL BANK LIMITED**  
**BANK BRUSSEL LAMBERT N.V.**  
**KREDIETBANK INTERNATIONAL GROUP**  
**WESTDEUTSCHE LANDESBANK GIROZENTRALE**  
**BANQUE PARIBAS CAPITAL MARKETS LIMITED**  
**CREDIT COMMUNAL DE BELGIQUE S.A.**  
**GENERALE BANK**  
**PRUDENTIAL-BACHE CAPITAL FUNDING**  
10th September, 1987  
All of these securities have been sold. This announcement appears as a matter of record only.

INTL. CAPITAL MARKETS

UK GILTS

Hopes of sustained retail support raised by rally

A NEAR full-point rally in gilt-edged prices on Friday had traders and analysts wondering whether the market had finally turned. There had been an almost daily incremental rise in yields from a low of under 9 per cent seven weeks ago to a high of nearly 10 per cent on Friday morning. By the afternoon long gilt yields had fallen to 9.75 per cent. A good case can be made for long gilt yields falling further in the near-term, but the extent of the fall past the 9 3/4 per cent level remains an open question. Concerns over monetary policy and the outlook for inflation witness the growing yield gap between conventional and index-linked gilts here and rising long bond yields in the US - has explained the recent behaviour of yields. Technical factors, such as the lack of institutional buying over the past seven weeks, have also been reasons for the market's weakness. There are signs that the inflation concerns may have run their course and that last week saw the beginnings of some retail support for the market. The Bank of England had little or no difficulty in issuing £1bn partly paid convertible gilts (raising \$500m initially) in what was looking like a jittery market. As important, or perhaps more so, is the recovery in the US bond market given the nexus between US and UK bond markets. The New York reaction to the fall in oil prices, following Opec's inability to strike a workable deal on prices early last week, has been substantial. Long bond prices have risen almost 5 points and this has seen yields move down from 9.4 per cent to 8.9 per cent in the space of five trading days. But almost all of the movement in US bond prices occurred on Friday. Would the gilt market have risen a point in the afternoon without the rally in New York? Like many hypothetical questions it is not answerable with any degree of confidence. Perhaps a better way of asking the question would be: On an unchanged bond market in New York and taking into account the "relief factor" after Friday's bank lending figures became known, would gilts have risen a point on money supply data which fell broadly in line with market expectations? It would be churlish to deny

Simon Holberton

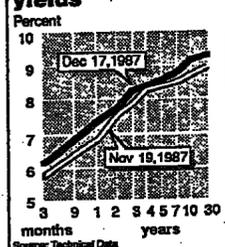
US MONEY AND CREDIT

Opec disarray sparks recovery

TEN DAYS ago, US credit markets were in an awful state. The trade figures for October plunged the markets into their familiar dependency about the dollar exchange rate and the outlook for interest rates. Long-term rates, which fell as low as 8.79 per cent in the aftermath of the stock market crash on October 19, seemed to be pushing inexorably towards double figures. Forget all that. Last week the dollar slid all right, and was trading under \$1.25 on Thursday, but it was overtaken by oil prices on the way down. The cost of oil for delivery in January fell \$2.73 a barrel to end the week at \$15.58. The prospect of falling prices throughout the economy helped launch the strongest credit market rally since the capital flight into government bonds in October. Long-term interest rates fell back under 9 per cent. The Treasury 30-year bond rose 5 1/2 points to almost par value, where it yielded 8.90 per cent. There was a flood of corporate new issues at substantially lower rates. It was not just oil. The decline in the dollar against the yen was so precipitous that it took much of the market's anxiety with it. At Y126 to the dollar, US goods are now 12 per cent cheaper in yen than at the weekend before the crash. Against the D-Mark, where the going is much stickier, the figure is 3 per cent. The foreign exchange markets are increasingly confident that any further declines will be temporary overshoots - at least in this phase of the dollar bear market. And foreign exchange and credit markets both took heart at rumours on Friday that the Group of Seven industrial countries would work to stabilise the dollar. By the weekend, there were strong reports that the G7 was about to issue a statement vow-

ing to address the imbalances in trade between the US and Japan and West Germany. There was also talk of a meeting in the New Year. The long-term bond markets enjoyed a fillip of their own from a minor technical development. Because of an old-fashioned budgetary control measure going back to the 1960s, the Treasury is limited in the volume of higher-rate long-term bonds it can issue. At the November refunding, the Treasury reached its limit of \$250bn and exhausted its authority to issue more. Congressional negotiators, at their noble work of fixing a budget for next year, had planned a proposal to allow the Treasury to issue as many long-term securities as it likes, but this was dropped from the package last week. Without any further action from Congress, there will be no 30-year bonds at the February refinancing - and the current crop is enjoying a little scarcity value. But the key to last week's rally was the disarray at the Opec meeting, the prospect of overproduction and the break in the oil price. Some traders were evidently reliving the winter of 1985-86, when the collapse in oil prices quashed any other pressure on prices in the economy, so that the consumer price index rose just 1 per cent in 1986 and both stock and bond markets gained nicely. Last week saw the stock and bond markets rising in tandem, for the first time since the crash. But the credit markets remain cautious. Most economists see lower oil prices as offsetting the rise in support prices caused by the dollar decline. Mr Philip Braverman, the money market economist at Irving Securities, believes that oil prices will not drop below \$15 a barrel, but not

US Treasury yields



Source: Technical Data

Two main economic statistics will be published over the Christmas period. Durable goods orders for November, due tomorrow. Orders are expected to have declined by 0.5 per cent, according to a survey of 30 economists conducted by Money Market Services of Redwood City, California. Orders rose 1.4 per cent in October. Leading economic indicators in November, due on December 30. The index is expected to decline 1.3 per cent, according to a consensus of economists. The index fell 0.2 per cent in October. There were dissenting voices.

however. Many people in the market have been spooked by the almost daily evidence of a quite strong domestic economy. The last thing they are looking for is a stimulus to economic activity from lower energy prices. Last week's figures showed an economy that took the stock market crash in its stride. Industrial production in November was up 0.4 per cent, capacity use was up at 81.7 per cent and housing starts were 7.5 per cent ahead. Consumer spending, however, continues to be weak. Mr Mitchell Field, economist at Smith Barney, warns that the oil price drop will probably be reversed, but not before it has given a push to an already strong domestic economy. "Much of the current decline should be sustained long enough to keep inflation subdued in the first half of next year, despite the dollar plunge," he says. Salomon Brothers believes that at current crude oil values, prices of retail gasoline should drop by 8 to 9 cents a gallon and as much as 0.2 per cent per month off the rise in the consumer price index for two to three months. Since the CPI rose only 0.3 per cent in November, this is quite a bonus. But the main virtue, Salomon says, is to buy time. "At a time of lingering uncertainty over the course of economic activity, the current interlude relieves interest rate pressures worldwide and adds a degree of flexibility to monetary policymakers elsewhere."

James Buchan

WORLD BANK CO-FINANCING

Eleven groups join \$200m Algeria deal

THE FIRST World Bank co-financing for Algeria is being arranged through a group of 11 banks led by Banque Nationale de Paris and Credit Lyonnais. The Organisation of Economic Co-operation and Development, whose different publications have shown diverging figures for Algerian debt to reporting countries, and which has in the past systematically over-reported certain credits, estimated that the debt stood at \$19.8bn at the end of last year. This figure excludes about \$2bn of multilateral non-OECD lending and loans from non-OECD sources. Among the possible reasons for discrepancies are: loans that have been repaid or repaid and which the OECD considers as outstanding. Certain credit credits which are not included by the Ministry of Finance in Algeria as they resulted from projects in which there was a dispute (ie goods were never shipped but disbursement was made to the exporter). Algeria has been granted a large number of buyer credits by foreign governments but some of these loans might be reported as outstanding rather than simply committed. The Ministry of Finance in Algeria classifies all loans with final maturities of a year and more as long-term debt whereas the OECD considers debt equal to 12 months as short-term. Francis Ghiles

FT/AIBD INTERNATIONAL BOND SERVICE

Table listing various international bonds with columns for issuer, denomination, price, yield, and other financial metrics. Includes sections for US Treasury, US Money Market Rates, US Bond Prices and Yields, and various international bonds from countries like Canada, France, Germany, etc.

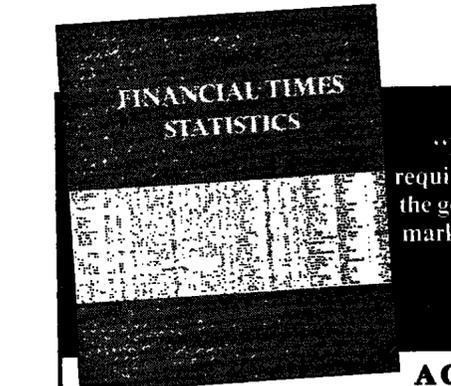
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INTERNATIONAL CAPITAL MARKETS & COMPANIES

FRENCH FINANCIAL FUTURES

Matif stays on course despite Cogema blow

FOR AN infant less than two years old, France's financial futures market has been saddled with a heavy load of guilt. The market, known as the Matif, opened in February 1986 to unexpected success, and its long bond contract is now unquestionably the price to watch in the French bond markets. But as financial markets around the world became more turbulent this autumn, the Matif found itself charged with crimes ranging from the encouragement of speculation and the exaggeration of interest rate volatility to the destabilisation of the banking system through the uncontrolled losses some players are claimed to have suffered. Mr Edouard Balladur, the Finance Minister, has even set up a committee to study the functioning of Paris's futures and options markets. The charges are deeply resented by the Matif's governing body, the Chambre de Compensation des Instruments Financiers de Paris (CCIFP). Mr Gerard de la Martiniere, CCIFP chairman, said: "Confronted by a crisis without prece-

dent, the Matif behaved remarkably; there was no breakdown in the functioning of the market, no defaults, and the safety mechanisms (price movement limits, suspensions of trading, margin calls) worked without hiccups, even at the height of the crisis. The Matif has been a victim of its image as the vanguard of the modernisation of France's financial markets. Its participants have often been disparaged as the wideboys of the Paris financial scene, resented for their pay scales outside the rigid salary structures of the French banking industry. And not only are financial futures new to Paris, they have also proved hard to understand, even for some bankers and corporate treasurers. A number of major banks have turned to management consultants for help in creating systems to control their exposure to interest rate and exchange rate risks, including those stemming from their financial futures operations. For some, and not just the banks, it is already too late. Cogema, the state-owned nuclear fuels company, announced on

Friday that it had lost FF250m (\$45.2m) on the Matif and on associated options dealing and had withdrawn from the market. Even with this blow, Cogema has still made gross financial profits of FF1bn in the last two years. An inquiry has been launched, but the company is far from clear what went wrong. One thing Cogema is sure of is that the losses stem from the second half of 1986 and the first three months of 1987, not from the turbulence which began for the Matif in July and peaked in October. Others have also announced losses on the Matif, including a regional bank from the south-west of France, since merged with a sister bank, and the stockbroker Ferri-Ferri-Germe, which has announced that it will be taken over by the Credit Foncier bank. Ferri's difficulties came less from the futures market itself than from its activity as a market maker in over the counter options on the Matif's main long bond future contract. The Matif has so far avoided any defaults, despite margin calls that totalled FF3.4bn on

October 20 - and recorded only modest overall losses. Between October 15 and 20, when the market three times reached limit down and four times limit up - the bounds at which trading has to be temporarily suspended - the largest loss recorded by a single institution was FF170m and the largest profit FF107m. But 88 per cent of the Matif's members had a profit or loss of less than FF10m, and around 45 per cent remained more or less at breakeven over the period. In fact, says Mr de la Martiniere, the Matif kept the cash bond market afloat during the crisis by maintaining an enviable degree of liquidity. He says that the Matif long bond contract was eight times as liquid in October as the underlying government bond on which it is based, after being around four to five times as liquid in the first half of the year. Despite price movements as sharp as 7.5 per cent and turnover reaching 150,000 contracts in a day, compared with an average volume of 27,000 contracts a day in the first half of 1987, the market continued to trade and to

settle its trades. The Matif's supervisors have, nevertheless, taken measures to increase their control over the market. As early as September they introduced limits on market operators' open positions, linked to their capital resources, and plan to extend these controls to client positions. Normal margin payments have also been increased from 4 per cent to 5 per cent. They have also, however, taken steps to allow the development early in 1988 of "locals," individual floor dealers operating on their own account, as in the US futures markets, who they believe will increase the market's liquidity. Finally, new contracts are planned to avoid the concentration of speculative forces on a single pit. Besides official traded options to replace the over-the-counter market on the current long bond contract, the Matif plans a new interest rate product possibly based on the Paris interbank offered rate and a move into exchange rate futures with a European currency unit contract. George Graham

NEW INTERNATIONAL BOND ISSUES									
Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %		
<b>US DOLLARS</b>									
Ferret III Ltd(a)++	300	1994	6	12 $\frac{1}{2}$ bp	100	Banque Paribas			
<b>D-MARKS</b>									
Thomson-Brandt Int.†	150	1994	6	6 $\frac{1}{2}$	100 $\frac{3}{4}$	Banque Paribas	5.973		
Norwegian M'gage Assoc.†	75	1993	5	5 $\frac{1}{4}$	100	WestLB	5.250		
<b>SWISS FRANCES</b>									
Novedats Reg. Mat'gays†	50	1993	-	4 $\frac{1}{2}$	100 $\frac{1}{2}$	Kreditbank (Suisse)	4.443		
Occidental Petroleum†	100	1992	-	5 $\frac{1}{4}$	100	SBG	5.750		
Asset Transp. Int.†††	50	1995	-	5 $\frac{1}{4}$	100 $\frac{1}{2}$	Handelsbank N'West	5.288		
Shell Australia†††	100	1993	-	4 $\frac{1}{2}$	100 $\frac{1}{2}$	UBS	4.386		
Copenhagen County Auth.†	47.5	1992	-	4 $\frac{1}{2}$	100	Warburg Sodite	4.375		
<b>DANISH KRONER</b>									
Svebank (b)†	420	1990	3	-5bp	100.5	Den Danske Bank			
<b>LUXEMBOURG FRANCES</b>									
Euro-Gazit†††	300	1993	5	7 $\frac{1}{2}$	100	Credit Europeen	7.625		
Societe Generale†††	300	1993	5	7 $\frac{1}{2}$	100 $\frac{1}{4}$	Sogeval	7.438		
Svenska H'banker†††	300	1993	5	7 $\frac{1}{2}$	100 $\frac{1}{4}$	BIL	7.438		
Hovman Brucke†††	300	1993	5	8	100 $\frac{1}{2}$	Kreditbank Int.	7.875		
<b>YEN</b>									
Trinidad & Tobago†††	7.5bn	1994	6.4	6.7	100	Yamaichi Secs.	6.812		
<b>AUSTRALIAN DOLLARS</b>									
Fuji Bk & Trust Co.(c)†	50	1993	5	13 $\frac{1}{2}$	101 $\frac{1}{2}$	Fuji Int. Finance	12.967		

Capel severs Rivkin link

By Our Financial Staff  
A CULTURE clash has led James Capel, the London-based stockbroker, to sever its ties with Mr Rene Rivkin, the colourful Australian financial dealmaker. Capel has bought out Mr Rivkin's stake in Rivkin James Capel, a jointly-owned Sydney-based institutional stockbroking venture, said Mr Peter Quinnen, James Capel's chairman, in London yesterday. "His approach and style which was flamboyant in the extreme - was not really right for us. James Capel has built itself an international reputation as a leading institutional agency broker backed by strong fundamental research. It inherited the connection with Mr Rivkin when James Capel was bought before London's Big Bang by Hongkong and Shanghai Banking Corporation, Mr Quinnen said. Prior to that, Mr Rivkin had been involved in a joint venture with Wandley Australia, part of Hongkong Bank's investment banking arm. Besides its Sydney base, Rivkin James Capel also has a participation in four regional Australian broking firms, Mr Quinnen said.

UCB sees maintained profits for 1987

BY TIM DICKSON IN BRUSSELS  
UCB, the Belgian pharmaceutical, chemical and films group, has announced that it will "achieve good profits in 1987, in line with those of 1986," when the after-tax result was BF1.8bn (\$38.1m). The company did not disclose further details but indicated that it had "developed well" in all its three business sectors. Pharmaceutical sales had increased with Nootropil, a growth product in the majority of countries, while Zyrtec, the new anti-allergic medical product, has just been launched in the Belgian market. Chemical sales had also "increased slightly," due to strong growth in specialty chemicals, while in the film sector

turnover continued to grow at the significant rate achieved in the first half of the year," helped by the consolidation of Cellophane Espanola, the Spanish producer of cellulose and plastic films. UCB drew attention to the size of its investment and research programme, which analysts say has held back the company's

profits performance recently but which should pay off in the form of stronger growth in future years. Cimentseries CBE, Belgium's biggest cement maker, has bought the 18 per cent which it does not own of the former Genstar cement and construction materials subsidiaries in Canada and the US. Deletions: Aachener & Munchener Versicherung (West Germany) and Fernz (New Zealand). Classification changes to existing constituents: Aker-Norcoem (Norway) to Heavy Engineering and Shipbuilding; Norsk Hydro (Norway) to Energy Resources; Carnegie A (Sweden) to Financial Institutions and Services; PLM Series A free (Sweden) to Fabricated Metal Products; Sandvik Series B free (Sweden) to Machinery and Engineering; Esselte Series B free (Sweden) to Fabricated Metal Products; MAI (UK) to Media; McCarthy & Stone (UK) to Construction/Building Materials; Johnson Matthey (UK) to Precious Metals & Minerals; and Cookson (UK) to Chemicals.

Varian seeks cost cuts

BY LOUISE KENNE IN SAN FRANCISCO  
VARIAN ASSOCIATES, one of Silicon Valley's oldest high technology companies, is embarking on a cost reduction effort which includes a \$35m first-quarter write-off and the loss of 360 jobs over the next 12 months. Varian is under pressure to improve its financial performance following heavy losses in its semiconductor production equipment division. Most of the charge against earnings was attributed to the scrapping of a wafer etching system product line that Varian acquired in 1986. In addition, the company said it would consolidate chip-making equipment operations and sell or close underused facilities.

The cuts are expected to produce annual savings of well over \$10m, the company added. Analysts said that Varian was forced to take drastic action or risk becoming a takeover target. The company is a major supplier of electronic instruments and a leader in chemical vapour deposition equipment for the semiconductor industry. The cuts follow the appointment a week ago of Mr Norman Pond to the post of president and chief operating officer and the resignation of Mr Larry Hansen, former president of the semiconductor equipment division and a 20-year veteran at Varian.

Changes to World Index

AT THE quarter-end review of the FT-Actuaries World Index it was decided to include the following constituents with effect from January 1: North Kalguri Mines, Newmont Australia, Lend Lease, AFP Investments, Northern Star, and Ponsidon (all Australia); OBMV (Austria); Societe Generale (France); Telemex 88A and Telemex 88B (Mexico); Petrocorp, Robert Jones Investments, Equicorp, Independent Newspapers, and Capital Markets (all New Zealand); Mercantile Stores, Trinova, West Point Pepperell, Cummins Engine, Omnicon Group, Cypress Semiconductor, TWA, Poster Wheeler, Lucky Stores, United Cable TV, and Southdown (all US).

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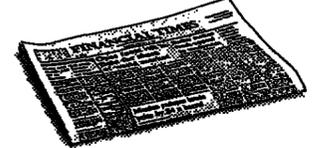
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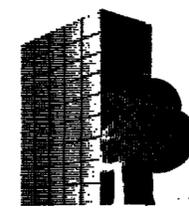
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Telex: 919814 BNLBKG  
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LONDON RECENT ISSUES

EQUITIES

Table with columns: Issue Price, Last Price, Change, Stock Name, Closing Price, Dividend, Yield, etc.

FIXED INTEREST STOCKS

Table with columns: Issue Price, Amount Paid, Latest Issue Date, Stock Name, Closing Price, etc.

RIGHTS OFFERS

Table with columns: Issue Price, Amount Paid, Latest Issue Date, Stock Name, Closing Price, etc.

Notation: Issue price last day for details of company's Annual Report... Official London listing including warrants and options.

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FINANCIAL TIMES CONFERENCES CIVIL AVIATION IN THE PACIFIC BASIN: THE PATTERN OF THE FUTURE. Singapore, 25 & 26 January, 1988.

FT CROSSWORD No.6,513 SET BY TANTALUS. A crossword puzzle grid with numbers 1-28.

ACROSS 1 and 5 isn't there like that's mistaken for another plant? (7,7) 9 Sherpa gangster holds heathen (5,4) 10 Disturbed terrapins exhale (9) 11 Minor streets in Norfolk and Suffolk? (3,8) 12 Dean entertains student by the fire (5) 13 Large number going to America to view waterily (5) 14 Luggage with member perhaps - that's rash (9) 15 Intrude at home with dim sounding chap (9) 16 Supply leaders of expedition now digging up earth (8) 21 Dickens' artful character not right to evade (7) 23 Important couple seen on board (9) 25 To find singer, Queen follows wild ostrich (8) 26 1st August - proceed with artist to market place (5) 27 Places girl with non-U husband (7) 28 Roman sea some might say (7) DOWN 1 Canberra for example is superb (7) 3 Rude in speech (9) 3 Being near bull, evil door is decapitated (5) 4 Play gets a longer run through this (5,4) 5 Luggage comprises percussion instruments (5) 6 Set up academy (9) 7 Traveller's first call in Hertfordshire (5) 8 First mate gets break on mount (7) 14 Rifle soon used in Italian battle (9) 16 Part with chair maybe for head of family (9) 17 Attempt to locate survey ship (9) 18 Persuaded Indiana to take in right to evade (7) 20 Mere lad ordered precious gem board (9) 22 Waste day with Lawrence (5) 23 Time may be about right for a joint (5) 24 Gunnet in lunatic asylum does show intellect (6) The solution to last Saturday's prize puzzle will be published with names of winners on Saturday January 2.

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts with columns for Name, Issue Price, Last Price, Change, and other financial details.



FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information, organized into columns for various fund categories and providers. Includes sections for 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', and 'UNIT TRUST INFORMATION SERVICE'.

Handwritten signature or mark at the bottom of the page.

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Contd

FOREIGN BONDS & RAILS

Table of FT Unit Trust Information Service listing various unit trusts with columns for Name, Manager, and other details.

Table of London Share Service listing various British Funds, Foreign Bonds & Rails, and Money Market Trust Funds with columns for Name, Price, and other details.

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American companies with columns for company name, price, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for company name, price, and other financial metrics.

BANKS, HP & LEASING

Table listing banks, hire purchase, and leasing companies with columns for company name, price, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for company name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for company name, price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads companies with columns for company name, price, and other financial metrics.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for company name, price, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and stores companies with columns for company name, price, and other financial metrics.

ENGINEERING

Table listing engineering companies with columns for company name, price, and other financial metrics.

DRAPERY AND STORES - Contd

Table listing drapery and stores companies with columns for company name, price, and other financial metrics.

ELECTRICALS

Table listing electrical companies with columns for company name, price, and other financial metrics.

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ENGINEERING - Contd

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INDUSTRIALS (Misc.) - Contd

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FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies with columns for company name, price, and other financial metrics.

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Table listing food, grocery, and other companies with columns for company name, price, and other financial metrics.

HOTELS AND CATERERS

Table listing hotel and catering companies with columns for company name, price, and other financial metrics.

INSURANCES

Table listing insurance companies with columns for company name, price, and other financial metrics.

LONDON SHARE SERVICE

INSURANCES - Cont'd

Table listing insurance companies and their share prices, including Pearl Assurance, Standard Insurance, and others.

LEISURE

Table listing leisure companies and their share prices, including British Airways, British Telecom, and others.

PAPER, PRINTING, ADVERTISING - Cont'd

Table listing paper, printing, and advertising companies and their share prices, including News International, Reed International, and others.

PROPERTY

Table listing property companies and their share prices, including British Land, City of London Real Estate, and others.

TEXTILES - Cont'd

Table listing textile companies and their share prices, including British Textiles, J. H. Rayner, and others.

TOBACCO

Table listing tobacco companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

TRUSTS, FINANCE, LAND - Cont'd

Table listing trusts, finance, and land companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

OIL AND GAS - Cont'd

Table listing oil and gas companies and their share prices, including British Petroleum, Shell, and others.

OVERSEAS TRADERS

Table listing overseas traders and their share prices, including British American Tobacco, J. H. Rayner, and others.

PLANTATIONS

Table listing plantation companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

MINES

Table listing mining companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

DISCOUNT AND FINANCE

Table listing discount and finance companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

S.F.S.

Table listing S.F.S. companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

DISCOUNT AND FINANCE

Table listing discount and finance companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

CENTRAL AFRICAN

Table listing Central African companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

FINANCE

Table listing finance companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

AUSTRALIANS

Table listing Australian companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

TRADITIONAL OPTIONS

Table listing traditional options and their share prices, including British American Tobacco, J. H. Rayner, and others.

MINES - Cont'd

Table listing mining companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

THIRD MARKET

Table listing third market companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

NOTES

Table listing notes and their share prices, including British American Tobacco, J. H. Rayner, and others.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks and their share prices, including British American Tobacco, J. H. Rayner, and others.

IRISH

Table listing Irish companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

TRADITIONAL OPTIONS

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MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

COMMERCIAL VEHICLES

Table listing commercial vehicle companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

COMPONENTS

Table listing component companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

GARAGES AND MOTORHOMES

Table listing garage and motorhome companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publisher companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

SHIPPING

Table listing shipping companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

SHOES AND LEATHER

Table listing shoes and leather companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

SOUTH AFRICANS

Table listing South African companies and their share prices, including British American Tobacco, J. H. Rayner, and others.

TEXTILES

Table listing textile companies and their share prices, including British American Tobacco, J. H. Rayner, and others.



WORLD STOCK MARKETS

Table with columns: Country, Stock Name, Price, Change. Includes entries for Australia, Belgium, and Denmark.

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CANADA

Table with columns: Stock Name, Price, Change. Includes entries for AMCA, Alcan, and various Canadian companies.

OVER-THE-COUNTER

Table with columns: Stock Name, Price, Change. Includes entries for various over-the-counter stocks.

INDICES

Table with columns: Index Name, Value, Change. Includes entries for Dow Jones, Nikkei, and various regional indices.

NEW YORK ACTIVE STOCKS

Table with columns: Stock Name, Price, Change. Includes entries for active stocks in New York.

Base values of all indices are 100 except NYSE All-Company = 50; Standard and Poor's = 10; and Toronto Composite = 1000. Timeliness indices listed 1975 and Montreal indices 1973. Excluding bonds, 204.3 and Australia, All Ordinaries and Nikkei = 500; (c) Closed/Unavailable.

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, December 18

Main table of stock prices with columns for stock name, price, and change. Includes sections for 12 Month High/Low, D, D D, G, G G, H, H H, and I, I I.

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes a 'Continued from Page 28' section at the top left.

Table of AMEX Composite Closing Prices. Columns include Stock, High, Low, Last, and Change. Includes a 'Continued from Page 28' section at the top right.

OVER-THE-COUNTER Nasdaq national market closing prices, December 18

Table of Over-the-Counter (Nasdaq) closing prices. Columns include Stock, High, Low, Last, and Change. Includes a 'Continued on Page 27' section at the bottom right.

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Closing p

CURRENCIES, MONEY & CAPITAL MARKETS

EIGN EXCHANGES

12 Month High Low... FORECASTS FOR the dollar in 1988 are not favourable...

FORECASTS FOR the dollar in 1988 are not favourable, at least for the first half of the year. London merchant bank Baring Brothers...

trial nations will reach early agreement on coordinated economic policy. The main problem is seen as the US attitude...

Phillips and Drew expects a trade deficit of \$1.1bn and a current account deficit of \$250m. Nomura is looking for a visible deficit of \$1.06bn...

STERLING INDEX Dec 18 Previous Close... 8.30 75.4 75.4... 11.00 75.4 75.4

CURRENCY RATES Dec 18 Bank Special... Starting 0.756177 0.629264... U.S. Dollar 1.000000 1.000000

CURRENCY MOVEMENTS Dec 18 Bank of England... Sterling 75.4 -12.2... U.S. Dollar 93.3 -12.7

EURO-CURRENCY INTEREST RATES Dec 18 Short term 7 days... Sterling 8.25 8.25... U.S. Dollar 8.25 8.25

OTHER CURRENCIES Dec 18 Argentina 4.095-4.109... Australia 2.525-2.545... Brazil 1.200-1.210

FORWARD RATES AGAINST STERLING Dec 18 Spot 1 2 3 6 12... US Dollar 1.2250 1.2250 1.2250 1.2250 1.2250

MONEY MARKETS UK rates up on inflation fears... INTEREST RATES moved up in London last week...

FT LONDON INTERBANK FIXING 11.00 a.m. Dec 18 3 months US dollars... Bid 5 offer 8 1/2

BANK OF ENGLAND TREASURY BILL TENDER Dec 18 Dec 11... Bids in offer 2.00m 2.00m

WEEKLY CHANGE IN WORLD INTEREST RATES LONDON Dec 15 change... 3-month interest 8.25 8.25

Dollar weak while pound follows middle path in 1988

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EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Feb 88, May 88, Aug 88, Stock. Includes GOLD C, SILVER C, etc.

Table with columns: Dec 87, Dec 88, Dec 89. Includes LFFE FT-SE 100 INDEX FUTURES OPTIONS, LFFE FT-SE 250 INDEX FUTURES OPTIONS.

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Financial Times Monday December 21 1987

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Table with columns: NATIONAL AND REGIONAL MARKETS, FRIDAY DECEMBER 18 1987, THURSDAY DECEMBER 17 1987, DOLLAR INDEX. Includes Australia, Austria, Belgium, etc.

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